

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,663

Monday July 1 1985

LIBRARY

SERIALS No. 56016

D 8523 B

What went wrong  
at the Milan  
summit, Page 15

## World news

## Business summary

### UK armed alert after bomb charges

Tight security precautions will be taken in London today when seven people appear on terrorist charges. One of the alleged terrorists is accused of bombing the Grand Hotel in Brighton last year during the Tory Party conference.

SAS soldiers and police from Scotland Yard's "Blue Beret" fire arms squad will man rooftops and windows and surround the court while a helicopter will keep watch as the defendants are taken to court in an armoured car with a large escort.

Meanwhile police at 12 British coastal towns on an IRA bombing "hit list" have started visiting thousands of hotels in a security campaign.

### Diplomatic cuts

U.S. President Ronald Reagan is seeking a sizeable reduction in numbers of Soviet diplomats in the U.S. to "reduce the hostile intelligence threat."

### President shot

Government officials are baffled by the assassination of President Haruo Remelick of the western Pacific republic of Palau. An official would not comment on a motive for the shooting.

### Solidarity threat

The Polish Government, ignoring a threat of protest strikes by the banned Solidarity trade union, plans to go ahead with an increase in meat prices today, completing a series of food price rises.

### Soviet test blast

The Swiss Seismological Institute recorded an underground nuclear explosion "of extraordinary magnitude" in the Soviet Union. It said the explosion at Semipalatinsk in Kazakhstan, near the Chinese and Mongolian borders, reached 5.3 on the Richter scale.

### 'Spies' to be charged

The KGB security police will charge two members of the unofficial Georgian musical group Phantoms with spying for the U.S. Another musician said in Moscow yesterday. The offence carries the death penalty.

### Peace bid rejected

Libya says that Iran refused to consider its proposals to end the Gulf war with Iraq.

### Biko hearing opens

A new inquiry into the death in detention of South African black leader Steve Biko eight years ago opened in Pretoria. The hearing will decide whether two doctors acted improperly in their treatment of Biko.

### Anniversary show

Zaire paraded its military strength at celebrations marking the 25th anniversary of independence from Belgium.

### Hijack jokers warned

Police have warned passengers at London's Heathrow airport that jokes about possessing weapons or planning hijacks could land the offenders in court.

### Angola attack

A South African raid into Angola killed 61 Swapo guerrillas. A black member of the security forces was also killed.

### Apartheid poll

Most South African whites expect the country to be racially integrated in 20 years according to a government-sponsored Human Sciences Research Council opinion poll.

### Award for FT editor

Geoffrey Owen, Financial Times editor, has been named International Editor of the Year by U.S. media magazine World Press Review, Page 7.

### Italian group plans issue

STP, Italian state-owned telephone company, is to seek government approval to offer 49 per cent of its shares to Italian and foreign investors. The company is quoted on the Milan bourse and 13.89 per cent of its shares are in private hands. Page 17

### EUROPEAN Monetary System

There was very little activity in the EMS last week with trading volume

reduced because of the month and half-year end. The dollar provided little incentive, showing only narrow changes from a week before. The Belgian franc remained the weakest currency bound by an allowable movement of 24 per cent either side of central rates, although it was still comfortably within its divergence limit. It also showed a small rise against the D-Mark, probably helped by a small increase in Belgian domestic interest rates.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates for currencies which do not exceed the limit. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share market reached a new peak during trading on Saturday. The Nikkei-Dow market average added 40.90 to 12,923.05 amid selective buying of property, non-ferrous metal and securities houses shares. A total of 200m shares changed hands, compared with 360m on Friday.

FT ORDINARY Share Index is 50 years old today. To mark the anniversary, this issue contains a six-page survey describing the origins of the index, its method of construction and its continuing role in the marketplace. Section III

CHILE announced a 7.8 per cent devaluation of the peso and large tariff cuts after an agreement in principle with major foreign creditors. Page 16

LLOYD's underwriting members facing heavy financial losses are planning an extensive legal campaign against the corporation of Lloyd's and other parties. Page 16

CBS, U.S. broadcasting company, launched a new attack on the takeover bid it is facing from Mr Ted Turner, alleging that Mr Turner would cripple the company by running up consistent losses if the offer was successful. Page 1

TIMES MIRROR, Los Angeles-based newspaper publishing group, is to spend up to \$450m to acquire up to 7.5m of its own shares, representing 10.4 per cent of the group's outstanding equity at a price of \$60 a share. Page 20

SOCIÉTÉ GÉNÉRALE, French state-owned banking group, plans to lift its stake in Société Générale Alsacienne de Banque (Sogaba) to 52.88 per cent by purchasing FFr 175m (\$18.6m) worth of new shares. Page 17

The Financial Times apologises to readers outside the UK who did not receive copies of the Saturday edition because of production difficulties in London.

## EEC in disarray after split over treaty conference

BY QUENTIN PEEL

THE EUROPEAN Community was yesterday left in public disarray by the split among the heads of government at their summit in Milan over whether to hold a conference to amend the founding Treaty of Rome.

Plans for the conference remained in doubt yesterday after a stormy meeting which left Britain in a minority of three with Denmark and Greece. Despite the majority decision to proceed with a full conference, neither the mandate to hold one nor the attendance of member-states was agreed.

Denmark, in particular, was threatening to stay away. Mr Poul Schluter, the Danish Prime Minister, made clear after the meeting that he would not agree to any formal amendment of the Treaty of Rome, which would have to be unanimously approved by all 10 member-states.

He said his Government would decide whether to attend the conference, planned to be convened before the end of October, only when he saw what arrangements would be proposed by the EEC foreign ministers.

Moreover, Luxembourg, which today takes over the presidency of the Council of Ministers, will have to launch attempts to patch up the differences between the member

states ahead of the foreign ministers' meeting later this month.

The foreign ministers will also have to take the formal decision to proceed with any conference only after the European Parliament has been consulted at its July session.

In London, Mrs Margaret Thatcher, the British Prime Minister, will make a full statement to the House of Commons tomorrow. The opposition parties will seek to criticise her and the Foreign Office about what they see as the embarrassing mis-handling of the talks. Most Conservative MPs, however, are likely to express strong support for the stand she took over treaty amendments.

Dr David Owen, the SDP leader, last night accused Mrs Thatcher of wounding a blunderbuss in her dealings with her European partners when what Britain and Europe needed was a rapier. She had, he said, demonstrated a lack of political finesse.

The confrontation, precipitated by Sig Bettino Craxi, the Italian Prime Minister, when he called for an unprecedented informal vote on the question, effectively prevented any further immediate action being taken to speed up the decision-making process of the Community.

The member-states also put off any decision on extending their foreign policy co-operation, including

aspects of security, as proposed by Britain, France and West Germany.

The Milan summit, intended to provide a wide-ranging debate and decisions on galvanising the Community and extending its field of action, ended in outright confrontation between the majority seeking full legal reforms, and the minority urging pragmatic steps to streamline its development.

Any attempt to get further substantive decisions out of the Milan meeting was blocked by Mr Andreas Papandreu, the Greek Prime Minister, when he demanded unanimous agreement on any changes in voting procedures in protest at the conference decision.

The outcome was a clear setback for Mrs Thatcher, who had set out with the aim of getting immediate agreement in principle on a package of measures which would not require treaty amendment, both to increase majority voting and restrict use of national vetoes and to formalise foreign policy co-operation.

The dispute over the institutional questions overshadowed agreement by the heads of government on a set

Continued on Page 16

Summit review, Page 3; Sugar crisis warning, Page 3; Editorial comment, Page 14; Why it all went wrong, Page 15

## American Motors wins wage-cut agreement

BY TERRY DODSWORTH IN NEW YORK

AMERICAN MOTORS (AMC), U.S. affiliate of Renault, the nationalised French car group, has won a virtually complete victory in its wage-cutting confrontation with 6,000 workers at its two small car producing plants in Wisconsin.

After a month of bitter negotiations, the United Auto Workers (UAW) has agreed to a broad package of cost and wage reductions which the company has demanded as a condition for keeping the Kenosha and Milwaukee plants open.

Both sides refused to give precise details of the agreement yesterday, but American Motors said that it was basically in line with the pace-setting deal concluded at General Motors (GM) last year. This implies substantial pay reductions, increased working flexibility and a significant cut in the number of shop stewards in the plants - one of AMC's most emphatic demands.

Mr Ralph Koenig, director of the UAW's local organisation, said that many elements of the proposals were "abhorrent" but that he did not propose to urge rejection by the union membership.

Among the concessions listed by the UAW were losses in seniority, overtime and relief time, including

a pay reduction of about 60 cents an hour from \$13.56 an hour. The total programme is expected to bring the company's hourly labour cost, including cash wages and fringe benefits, down from about \$27.27 to \$23.60 an hour. No information on retaining allowances, which were also part of the GM deal, have been given.

The deal appears to end the threat of closure at the Wisconsin plants, although AMC will not withdraw its formal shutdown request filed with the state authorities in an attempt to force the unions to accept the bargaining table until the new contract is ratified by the local union membership.

For the time being at least, ratification will also end speculation that the embattled Renault group, whose losses are leading to heavy redundancies in France, might use the obduracy of the U.S. union as a pretext for closing the plants.

There were reports at the weekend that Renault unions in France were objecting against the continued support for AMC, said to involve the possibility of a new loan of \$175m. The French unions have argued that it would make sense to

close the outdated plants in Wisconsin and export small cars directly from France, an approach which some U.S. analysts have also advocated because of the strong dollar.

The smallest of the indigenous U.S. vehicle manufacturing groups, AMC is owned 46 per cent by Renault, which is using the company as its springboard for large-scale entry into the U.S. market.

Since Renault took its initial stake in 1976, AMC has developed a highly successful range of Jeeps, but has failed to make a significant impact with the Alliance - the U.S. version of the Renault 9 - as the booming American car market has moved back towards roomier models. In 1984, the company made profits of \$15.5m, its first since 1979, but it slipped badly in the first quarter of this year to run up losses of \$29m.

AMC has since used these loss figures to argue for the need for cuts in the Wisconsin operations, which are claimed to be the most expensive to run in the whole of the U.S. motor industry.

West German output to rise, Page 3; Chrysler moves into financial services, Page 16

## Mugabe attacks 'racist' whites

BY MICHAEL HOLMAN IN HARARE

MR ROBERT MUGABE, Prime Minister of Zimbabwe, yesterday launched a bitter attack on "racist" white Zimbabweans, warning that "very hard going" lay ahead for them, and hinting that the 20 seats reserved for whites in the 100 member parliament might soon be abolished.

In a speech seen as important for race relations in Zimbabwe as was his offer of "reconciliation" to opponents after his 1980 election victory, Mr Mugabe served notice that his Government's patience with the country's still deeply conservative white community had run out.

The Prime Minister, speaking to a 100,000 strong rally of his supporters on the eve of two days of polling for the 80 black seats, was responding to the major victory on Friday of Mr Ian Smith's Conservative Alliance. The former Prime Minister's

party won 15 of the 20 white seats. The victory will also allow the alliance to elect all 10 entrenched white seats in Zimbabwe's senate.

In a passionate speech punctuated by cheers from his supporters, Mr Mugabe recalled that in 1980 he had been "prepared to forgive those who sinned in a very big way against the people of Zimbabwe". About 25,000 people died, almost all of whom were black, in the seven-year guerrilla war for independence fought by Mr Mugabe's Zimbabwe African National Union and Mr Joshua Nkomo's Zimbabwe African People's Union.

"We were deceived into believing that those who had waged an unjust fight... had repented," Mr Mugabe told the rally. "But whites are still by and large the racists of the past. They have not changed their ways." Mr Mugabe, who switched

from the Shona language to English in order to emphasise his message to the 90,000-strong white community, had earlier told the crowd in the vernacular: "A Boer is a Boer and will stay that way."

Both Mr Mugabe and Mr Nkomo strongly opposed the provision of 20 entrenched white seats in the independence constitution drawn up under British chairmanship at the Lancaster House conference in 1978. Mr Mugabe had hoped, however, that the policy of reconciliation and his appointments of three whites to government, would erode the support of an unrepentant Mr Smith.

Yesterday, the Prime Minister gave his strongest hint that his government was prepared to remove the white seats from parliament.

Continued on Page 16

## Israelis consider devaluation and pay freeze

By David Lennon in Tel Aviv

THE ISRAELI Cabinet yesterday presented with a Treasury-sponsored programme to stabilise the country's economy through a compulsory wage and price freeze, a 20 per cent devaluation of the shekel and a further US\$500m budget cut.

At a meeting that ran well into the night, the ministers were told by Prime Minister Shimon Peres that failure to accept the programme would lead to the break-up of the nine-month-old government of national unity.

The programme contains controversial elements including emergency regulations to cut some wages and to impose an administrative wage and price freeze to replace the voluntary agreement which ends this week.

As the Cabinet was meeting, however, the Histadrut trades union federation was in emergency session to plan strike action if it emerged that wage-earners would have to bear the brunt of any new measures.

Mr Israel Kessar, the Histadrut secretary general, denounced the idea of using emergency regulations to break the current labour agreement as being undemocratic and unprecedented in Israel.

He was particularly angry over what he described as the planned 30 per cent erosion in the real value of wages. The Treasury wants to achieve this by halving the automatic compensation for inflation paid to workers and a 5 per cent cut in public sector wages.

The Treasury proposed a 20 per cent devaluation of the shekel and a major cut in export subsidies and import levies, thus unifying the export and import exchange rates.

The price of basic commodities and services would be expected to rise by between 20 to 30 per cent as a result of cutting government subsidies. The price of other goods should rise by about 20 per cent. This might be followed by a compulsory three-month price and wage freeze.

The Treasury estimates that, after a couple of months of very high inflation, the monthly rate of price increases would drop to single figures. Inflation in June is estimated to have reached about 20 per cent.

The plan calls for the emergency regulations to be in force for three months.

Trading on the Tel Aviv Stock Exchange was suspended yesterday and all buy and sell orders were cancelled. The exchange directorate said resumption of trading will depend on the Government's decision on the economy.

## U.S. hostages arrive in Damascus

BY TONY WALKER AND NORA BOUSTANY IN BEIRUT, DAVID LENNON IN TEL AVIV AND REGINALD DALE IN WASHINGTON

ALL the 39 American hostages seized on a TWA World Airlines flight from Athens on June 14 last night travelled in a heavily armed convoy from Beirut to Damascus, the Syrian capital.

Ten Red Cross cars escorted by Syrian military police and preceded by motorcades blowing sirens to clear the road crossed Damascus streets to the Sheraton hotel.

Earlier, at the last Lebanese town of Oubayda, 10 miles west of the Jdeideh Yabous border post, the hostages were greeted by U.S. Ambassador to Syria, Mr William E. Galt, and Major General Said Baidard, commander in chief of Syrian troops in Lebanon.

A U.S. Air Force aircraft is at Damascus airport waiting to fly the hostages out of the Middle East.

Mr Nabih Berri, leader of the Shia Amal militia, which had taken responsibility for the hostages while they were in Beirut, announced that the Americans had been freed following the receipt of unspecified guarantees from Syria, the U.S. and local, regional and international powers.

Amal and the original hijackers of the TWA jet have been demanding the release of 735 mainly Shia prisoners held in Israel. After a Cabinet meeting in Jerusalem yesterday it was stated that no decision had been taken on freeing the Lebanese prisoners.

Mr Yossi Beilin, the Cabinet Secretary, denied that Israel was party to any deal, or that there had been contact with Washington about such arrangements.

Mr Yitzhak Rabin, the Defence Minister, said on American television, however, that Israel had intended in the past, and intended now to free its Lebanese detainees in accordance with the security situation in southern Lebanon and possibly other considerations.

There was no link with the release of the American hostages, he insisted. This might be followed by a compulsory three-month price and wage freeze.

Israel had borne U.S. interests in mind, but it was also in the U.S. interest that Israel should make no linkage with the American hostages in deciding when, and how many detainees should be released, said Mr Rabin.

Another Israeli official, however, said that while there was no agreement, there was definitely an understanding and "clear co-ordination" with the U.S. He did not rule out the release of some of the prisoners this week, but added that there would have to be a time lapse between the end of the hijack crisis and the freeing of the Lebanese.

The way had been cleared for the

departure of the American hostages from Beirut when the militant Hezbollah Shia faction handed over the four men it was holding to the custody of Mr Berri. The four were those earlier considered to have "Jewish-sounding names" and to have among them U.S. military personnel.

Pressure from Syria, which has played a crucial role in resolving the crisis, apparently persuaded Hezbollah, which is accused of having organised the original hijack.

Mr Berri said yesterday that the delay in the hostages' release, planned initially for Saturday, had been delayed until reassurances had been received from Washington that no reprisals would be taken against Lebanon.

The Shia leader had been particularly angered by President Reagan's remarks on Friday describing the hijackers as "thugs, murderers and barbarians" and pledging that "terrorists" would be held to account.

Following Mr Berri's objections, the U.S. State Department put out a statement late on Saturday reaffirming its support for the preservation, stability and security of Lebanon. U.S. officials stressed that there was nothing new in the statement, but there was speculation that it could have assisted Mr Berri in his negotiations with the Hezbollah for the release of the four Americans it was holding.

During a press conference yesterday at Beirut airport, where the TWA jet is still on the runway, boded gunmen warned President Reagan against playing with fire. They said they had handed over the hostages "out of concern for the credibility of Syria and the word of its President."

Mr George Bush, the U.S. Vice-President, said in Paris that Syria "had been helpful" in winning the hostages' release. He thought that once the hostages were finally free "they (the Syrians) will get a certain credit for having played a useful role."

Mr Berri also announced yesterday that two French citizens kidnapped on May 22 would be released shortly, but there was no word of 10 other Westerners still held in Lebanon. These include seven Americans, two Frenchmen and a Briton. The U.S. had earlier been seeking to tie in their release with that of the TWA passengers.

As the convoy of vehicles moved out of Beirut yesterday afternoon, the hostages shouted through the windows "it's great, it's great."

Shadowy dealers in terror, Page 2

## In five months institutions have invested \$150,000,000 with us.

## And we've achieved superior yields for them.

In five months the Citifunds U.S. Dollar Fund has become one of the largest offshore U.S. Dollar Funds.

**Why?** Because of superior yields. Citifunds has achieved yields which provide a significant uplift over short term interest rates.

From January to May 1985 the Dollar Fund, which has two day liquidity, provided a yield of 8.54% p.a. That is more than 0.5% p.a. better than the London call rate available during the same period to large investors. Citifunds even outperformed the one month London Interbank Deposit rate of 8.42% p.a.

And Citifunds does not sacrifice safety: Citifunds invests only in top quality money market instruments.

Citifunds is advised by Citibank N.A. which manages over \$35 billion in discretionary assets.

There are five Citifunds money market funds to choose from: U.S. Dollar, Sterling, Yen, Deutschmark, and Swiss Franc. And one of them will suit you.

## Send now.

Please send me a Citifunds prospectus which I understand is the sole basis for investment.

Name \_\_\_\_\_

Address \_\_\_\_\_

The Manager, Citifunds, P.O. Box 344, Green Street, St. Helier, Jersey, Channel Islands. Telephone: Jersey (0534) 70334.



**CITIFUNDS**  
ADVISED BY CITIBANK

## CONTENTS

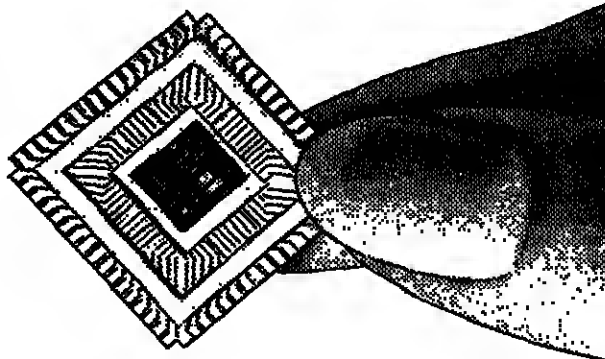
International	2-3
Companies	17, 20
World Trade	5
Britain	6-8
Companies	22-23
Appointments	24
Arts - Reviews	13
World Guide	13
Currencies	29
Editorial comment	14
Eurobonds	17
Financial Futures	38
Int'l Capital Markets	17, 18
Law	24
Letters	15
London	16
Management	12
Men and Matters	14
Money Markets	38
Stock markets - Bourses	35
Wall St	36-37
London	35-36
Technology	21
Unit Trusts	29-31
Weather	16

Lebanon: shadowy dealers in uncompromising terror	2
Milan summit: renewed warning to Japan	3
High-tech collaboration	3
Why it all went wrong	15
Management: revolution at Bethlehem Steel	12

Editorial comment: Milan; foods discounting	14
Lombard: "Eurosclerosis" under scrutiny	15
Lex: old problems for new issues	16
FT Index - 50th Anniversary Survey	Section III



## HERE'S HOW OUR 9300/9400 COMPUTERS HAVE REDUCED BUSINESS COMPUTING PROBLEMS.



## Surprised?

NCR have taken the electronics previously contained on ten printed circuit boards and put them on a single chip.

This 32-bit chip is one of a set at the heart of our 9300/9400 computers. It increases their computing speed, lowers their price, enhances their reliability and reduces their size. Systems International says it's "undoubtedly the most exciting 32-bit chip set around".

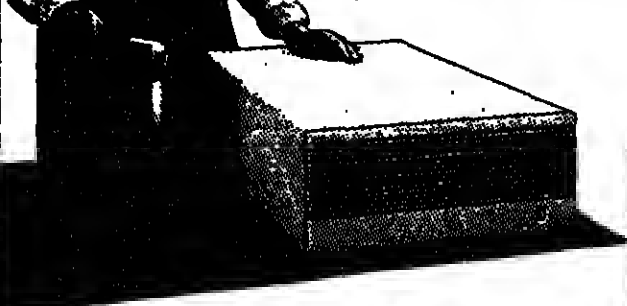
The chip has so simplified our computers that they will operate in any normal office environment and have no need of a special power supply.

Which organisations as diverse as district councils, banks, machinery manufacturers and colleges of further education have all discovered. Keeping track of housing rents, payroll and housing benefits... running a Eurobond Dealing and settlement system... manufacturing and financial control... teaching programming and word processing.

It's this kind of flexibility that makes NCR 9300/9400 computers ideal for a wide range of uses by small to medium businesses or branches of large companies.

They can support up to 80 terminals and are themselves supported by an extensive national network of field engineers, backed by the latest electronic aids.

NCR 9300/9400 computers can improve your efficiency in a thousand different ways. That's hardly surprising. They're made by NCR.



# NCR

INNOVATIVE COMPUTER  
TECHNOLOGY

YOU CAN EXPECT IT FROM NCR

NCR Limited, 206 Marylebone Road, London NW1 6LY.  
To: Information Centre, NCR Limited, 206 Marylebone Road,  
London NW1 6LY. Telephone: 01-724 4050.

NCR Computer systems cover a wide range of business applications. Please tick the business area that you are in and we will send you full details of the relevant NCR systems.

Retail ☐ Wholesale ☐ Construction ☐ Manufacturing ☐  
Local/Central Government ☐ Banking ☐ Insurance ☐  
Distribution ☐ Other ☐

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone \_\_\_\_\_

FT/9317

## Bush gives warning on dangers of nuclear terrorism

BY SIMON HENDERSON IN GENEVA

U.S. VICE President George Bush warned at the weekend of the dangers of nuclear terrorism — the possibility that terrorists may steal nuclear materials or make small nuclear weapons.

Addressing a conference on nuclear proliferation in Geneva, he said that the ultimate act of terrorism was nuclear terrorism. "Preventing nuclear proliferation is one part of stopping this;

stopping terrorism is the other," he said. Mr. Bush, who is heading the special task force set up by President Ronald Reagan to counter terrorist incidents, urged the world to cooperate more closely on fighting terrorism.

Without giving details, he said there had been talks between the U.S. and the Soviet Union on the "spectre of nuclear terrorism," and

there had been recent headway.

The Vice-President's comments were obviously aimed at the Middle East. They were made during the confusion on Saturday when it seemed that the TWA hostages in Beirut were on their way to freedom. In what in retrospect only illustrates the frustration of the U.S. predicament, Mr. Bush told the conference with obvious relief that he was going on to West Germany to meet

the hostages when they were due to arrive there late on Saturday night.

Mr. Bush had been in Geneva as part of his European tour in order to meet the Soviet team which has been negotiating with the Americans on nuclear and space weapons.

He said he had reaffirmed to them President Reagan's commitment to arms control and he hoped the Soviet side would respond to the

measures the U.S. had taken to cut the number of strategic weapons.

On the spread of the bomb to non-nuclear weapon states, Mr. Bush said it was important to recognise the peaceful uses of the atom in farming, medicine and energy.

However, he said that there must be controls so that technology was not transferred to military uses. Urging co-operation, he said: "The U.S. cannot do this alone."

## Aviation bodies move to tighten flight safety

By Bernard Simon in Toronto

TWO international aviation bodies are to examine ways of tightening security in airports and aircraft in the wake of the recent spate of hijackings and bomb explosions, and the destruction eight days ago of Air India flight 182.

Eighteen member airlines of the International Air Transport Association's security advisory committee agreed at a special meeting in Montreal to expand IATA's programme of airport inspections beyond the 40 airports scrutinised by airline security experts in the past seven years.

The governing council of the 152-member International Civil Aviation Organisation, an inter-government body also based in Montreal, has asked ICAO's secretary-general to prepare a "plan of action" based on 10 recommendations adopted at a special meeting on security arrangements.

Proposals include a review of ICAO's recommended security standards and expansion of technical assistance programmes.

Among the two groups' priorities are ways of reducing human error in airport security. An IATA official said over the weekend that "we feel available equipment is adequate. The most important thing is the people operating the equipment." The ICAO governing council proposed that the body's training courses in aviation security should be made more widely available.

## Shadowy dealers in uncompromising terror

Tony Walker and Nora Boustany report from Beirut on the organisation behind the hijacking

AT THE centre of Beirut's hijack drama is Hezbollah, a shadowy militant Shi'ite organisation, believed to have supplied the original two hijackers of the TWA airliner.

The hijacking has demonstrated Hezbollah's potent role in Lebanese affairs on the extremist fringes of Amal, the mainstream Shi'ite organisation.

Hezbollah (Party of God) effectively forced the leadership of the less extreme Amal to adopt the hijackers' cause and, by implication, to endorse those who commanded the plane.

Like those of Iran's Revolutionary Guards, Hezbollah's views and methods are uncompromising. An essential difference between the radical movement and Amal is that no concession is made to the threat of Western disapproval or sanction.

This emerged clearly in a rare interview granted by Sheikh Ibrahim al Amin, described as the most important figure in Hezbollah's rank and file, to the New York Times.

Fadallah, spiritual guide of Lebanon's militant Shi'ite movement, said: "If terrorism is the war of the weak against the strong, then we are terrorists, and not at all ashamed of it," he said in his sparse Beirut office.

Hezbollah is dominated by a portrait of Ayatollah Khomeini, Iran's religious leader.

Sheikh al Amin makes no secret of the depth of Hezbollah's relationship with Iran, which provides him with material and spiritual assistance. He mentioned that he has met Iran's religious leader on a number of occasions. Hezbollah's aim in Lebanon, like that of the Iranian Revolution, is "victory for Islam in this era."

It is noteworthy that Sheikh al Amin was summoned to Damascus early last week for a meeting with Hashemi Rafsanjani, Iran's parliamentary

speaker, as a prelude to final efforts to settle the hostage crisis.

"Iran supports us as well as all the downtrodden people in the world," he said. "This is something evident and not a secret."

Sheikh al Amin, who has a diffident manner, was vague about the details of this support, merely saying that the presence of Iranian Revolutionary Guards in Baslebek, the Hezbollah stronghold, was inspirational.

The strength of the Iranian link is worrying for the more secular Amal. It finds itself under "fire" during the hostage crisis cannot have been com-

fortable. Hezbollah is said to have put out that Mr. Nabih Berri, leader of the Shia Amal militia in Lebanon, managed to gain "credit" inside and outside Lebanon from the affair.

Asked how he regarded Mr. Berri's mediation efforts on behalf of the hijackers, Sheikh al Amin said: "I don't want to say yes or no to individuals or mediators. What is important is that the demands are met."

He was also vague about the organisation's structure and the extent of its support, which is thought to have grown significantly in the past year.

Hezbollah itself does not know how it is working," he observed. "But we do know how to fight our enemies."

Hezbollah, whose symbol is a scimitar and a machine-gun, cut off a military parade early last month at which field

## Protests expected as Hawke Government stages 'tax summit'

By MICHAEL THOMPSON-NOEL IN CANBERRA

MR BOB HAWKE'S Australian Labor Government ventures into political no-man's land today by opening a week-long "tax summit" in Canberra at which Labor's plans for sweeping tax reform will be probed and probed by some of its sharpest critics.

Up to 30,000 angry farmers, protesting at rising farm costs as well as Labor's plan to introduce a broad-based consumption tax (similar to VAT), will descend on Canberra today for what is expected to be one of the biggest mass demonstrations ever seen in the Australian capital.

The 12.5 per cent consumption tax is Labor's preferred method for financing big reductions in marginal rates of income tax. It insists that the needy will be more than compensated for higher living costs.

At the same time, Mr Paul Keating, the Australian Treasurer (Finance Minister), wants to tax fringe benefits; introduce a modest tax on

real capital gains; and stifle tax evasion and avoidance.

Tax shelters such as gold mining, film making, and some property investment have been singled out for attention. As a result, gold shares have lurched lower.

Reform of Australia's creaking tax system would complement Labor's best-known initiative to date — deregulation of finance and banking — but the political cost may be great.

Mr Keating is also confronting reactionary forces across the entire political spectrum.

As well as the farmers, opposition to Labor's tax plans will be voiced by key business critics, some unions and by social welfare groups.

Mr Hugh Morgan, executive director of Western Mining, one of Australia's biggest mining houses, claimed the tax package would considerably increase business and industry costs.

## Mexican banks enter free market exchanges

By WILLIAM ORME IN MEXICO CITY

MEXICO'S COMMERCIAL banks will be permitted to make a free market in foreign exchange from today, for the first time since their 1982 nationalisation. This is seen as a large effective devaluation of the peso.

The government explains its move simply as a strategy to control peso speculation. Money traders in the United States at the weekend were charging up to 340 pesos for a dollar, a rate far below the government's official 245-to-one "free" peso exchange rate and its 227-to-one "controlled" rate.

Speculative pressure against the peso has been building dramatically in recent weeks, largely in response to falling oil prices. Since May, the spread between the official and offshore rate has widened from 20 to nearly 100 pesos.

Exacerbating this trend has been the government's refusal to accelerate its gradual daily devaluation before next Sunday's interim congressional elections.

The official free and controlled rate slides against the dollar by 21 centavos every day, but economists argued months

ago that speculation would ease if this slippage were quickened to 30 centavos or more daily.

Under the new rules state-owned banks have been licensed to open 20 dollar trading houses. Some will operate independently depending along with 23 private exchange houses largely on a clientele of tourists and other individuals. Others aimed at corporate customers will be managed by account offices at the bank's own premises.

These bank exchange houses will trade dollars at the same fluctuating lower peso exchange rate used along the U.S. border and by private money traders within Mexico, a rate that until now was not recognised officially.

With astute bank participation bringing a larger dollar influx into what had been an unregulated parallel market this lower exchange rate may actually rise marginally in coming weeks, some officials forecast.

In a sardonic acknowledgement of market realities, Mexican bankers have dubbed the new exchange rate "super-free," to distinguish it from the so-called "free" rate set by the central bank.

## Swiss bankers' hopes rise

By WILLIAM DUFFLEUR IN GENEVA

SWISS BANKERS appear to have succeeded in their campaign to block in the Organisation for Economic Cooperation and Development (OECD) a recommendation that governments amend their bank secrecy regulations to allow information to be passed

across frontiers to tax authorities.

The executive committee preparing for the meeting of the OECD council in Paris next Wednesday decided on Friday not to include the recommendation on the council's agenda, according to Swiss banking sources.

## FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd, Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurt/Schweizerische Druckerei, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

## U.S. seeks to limit Soviet diplomats

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan has called for a sharp reduction in the number of Soviet diplomats and officials stationed in the U.S. "to the size of the hostile intelligence threat we're up against in this country."

In his weekend radio address, Mr Reagan said that 30 to 40 per cent of the 2,500 Soviet officials in the U.S. were known or suspected intelligence agents "and all can be called upon by their KGB."

He called for improvements in U.S. counter-intelligence and

The U.S. and the Soviet Union are reported to have reached tentative agreement on an interim date for a possible summit meeting between U.S. President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Reports from Moscow at the weekend suggested that the meeting would be in Geneva in the second half of November. In Washington, however, officials said there might be a summit before the end of the year but final agreement on time and place had not been reached.

Even if a provisional date was set, it was thought unlikely that the summit would be held in Washington if super power relations deteriorate further. Last week Mr Gorbachev warned that the Geneva arms talks might collapse unless the U.S. took a "more reasonable stand."

better control over foreign agents working at the United Nations in New York "who have used that organisation as a spy nest."

Mr Reagan's statement came amid a continuing national outcry over security lapses, after the arrest of four members of the alleged Walker family spy ring on charges of selling U.S. navy secrets to the Soviet Union over the past 18 years.

Concern over the Walker case has led to calls in Congress for Soviet officials in the U.S. to be limited to the same, much lower numbers of Americans allowed in Moscow—a proposal Mr Reagan also appeared to support.

The ease with which Soviet agents can operate in the U.S. was underlined yesterday by an internal Pentagon report which concluded that security at most of the nation's 14,000 military contractors was so weak that it did little to deter espionage.

The report, extracts of which were published in the New York Times, said that spying was so easy for employees of most companies that "a supermarket employee may encounter far more difficulty stealing a loaf of bread."

The year-long study calls for wholesale changes in Pentagon security programs, without making specific recommendations. More than 16 million classified documents are scattered among the defence contractors, with only about 225 defence intelligence agents to police the system, the report says.

FINANCIAL TIMES, USPS No. 190840, published only on Saturdays and Sundays. U.S. subscription rates: \$420.00 per annum. Second class postage paid at New York, NY, and at additional mailing offices. POSTMASTER: Send address changes to: FINANCIAL TIMES, 16 East 57th Street, New York, NY 10022.

## S. Africa in Angolan incursion

By JIM JONES IN JOHANNESBURG

SOUTH AFRICAN forces claimed to have killed 45 South African guerrillas in running battles following a cross-border incursion from Namibia into Angola.

General Constand Viljoen, South Africa's defence force chief, said that South African forces crossed into Angola following a number of sabotage attacks by SWAPO guerrillas in northern Namibia and a mortar attack on a South African

military base at Eenhana in Ovamboland.

One South African soldier died and another was injured. The South African troops were due to leave Angola late yesterday. The incursion into Angola was the first announced by South Africa since its forces were officially withdrawn from the southern part of the country in April.

This, however, was followed last month by an incursion into Cabinda, Angola's oil rich northern enclave, which resulted in the deaths of two South African soldiers and the capture of a third by Angolan forces.

South Africa claimed that the Cabinda incursion was a reconnaissance mission to check on reports of SWAPO and African National Congress (ANC) bases in the area. Angolan claims that the incursion was aimed at sabotaging American oil installations were corroborated by the captured South African soldier.

## Attitudes harden in mines pay dispute

By OUR JOHANNESBURG CORRESPONDENT

ATTITUDES hardened this weekend as talks on wages for 55,000 black workers in South Africa's gold and coal mines foundered. A growing number of men rejected unilateral increases which the employers intend implementing today.

At the Bracken and Leslie gold mines 100 miles east of Johannesburg, black miners downed tools on Friday and Saturday after being told of the increases and improvements to conditions of service. On Saturday, at the Western Deep Levels

gold mine, managed by Anglo American Corporation, 50 miles to the west of Johannesburg, the employees appeared to have rejected shaft stewards' advice to agree to increases announced by the employers.

Sunday is not a working day and as a result management at Bracken and Leslie would not know until this morning if the strike was ended. However, managers have told strikers at both mines that the stoppages are illegal and have warned that unless there is a return to work

by this morning, the men would be considered to have dismissed themselves. The response is similar to that which led to the dismissal of 14,000 black miners at the Vaal Reefs gold mine in April. The National Union of Mineworkers is not recognised by management at Bracken or Leslie.

Mr Cyril Ramaphosa, the NUM's general secretary, said in Johannesburg yesterday that his union has not yet called for strike action.

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange. It does not constitute an offer or invitation to any person to subscribe for or purchase any securities in BSN.

# BGROUPE BSN

(a Société Anonyme incorporated with limited liability in the Republic of France)

## Share capital

Number	Issued and fully paid
3,605,981	shares of FF 100 each
	FF 360,598,100

The Council of The Stock Exchange has admitted to the Official List all the shares of BSN in issue.

BSN is the largest food and beverages group in France and one of the largest in Western Europe operating through four divisions with interests in the manufacture and marketing of Group products throughout Western Europe and in the United States of America, Japan, Brazil and Mexico.

In the year to 31st December, 1984, sales by BSN totalled FF 27,293,000,000 and profit before tax was FF 1,317,000,000. Fully diluted earnings per share amounted to FF 203.

Listing Particulars and Supplementary Listing Particulars relating to BSN are available in the Exrel Statistical Service. Copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 3rd July, 1985 from The Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2 and up to and including 15th July, 1985 from the registered office of the Company at 7 rue de Téhéran, 75008 Paris, or from:

Lazard Brothers & Co., Limited 21 Moorfields London EC2P 2HT	Hoare Govett Limited Heron House, High Holborn London WC1V 7PB
--	--

1st July, 1985



مكتبة

LIBRARY  
SERIALS No. 58018  
CLASS  
DATE

# OVERSEAS NEWS

## Internal market plan gets broad welcome

By Ivo Dawmay in Milan

THE EEC Heads of Government yesterday broadly welcomed the European Commission's proposals for achieving a fully free internal market by 1992.

But although the agenda for decision taking was favourably received, a reservation hung over the timetable for harmonising, or at least drawing closer together, VAT and excise duties imposed by member states.

The UK and West Germany are understood to have voiced reservations on this point, despite the Commission's insistence that such a move is essential to making the full integration of the internal market complete.

The final communiqué hedged the issue by calling specifically on the council of finance ministers to re-examine the agenda and necessary measures to achieve sufficiently integrated excise and tax laws.

It also pointed out that institutional questions—unresolved by the summit—will have to be studied to ensure that the markets can be opened within the set time limits.

Nearly all member states are convinced that some agreement on speeding up Community decision-making must be made if the work is to be completed on time.

Officials also noted that efforts to move barriers to the free movement of people between member states have not been listed among the top priorities—a reflection of concern over terrorism and drug-trafficking.

But on the broad thrust of the White Paper presented by the British Commissioner Lord Cockfield earlier this month, the summit found general agreement.

Areas of high priority were defined as:

- The removal of physical barriers to free movement of goods.
- The ending of technical barriers, involving the adoption of common or compatible standards for new technology to open up public purchasing.
- Establishing freedoms for professionals to work in any member state.
- The creation of a free market for financial services and transport.
- The liberalisation of capital movements.

## Ministers renew warnings to Japan

BY IVO DAWMAY IN MILAN



MOUNTING frustration with Japan over the slow progress in its moves to open up its markets to the European Community, re-emerged at the EEC summit in Milan this weekend.

The conclusions of the Italian presidency endorsed the "serious concern" forcefully expressed by foreign ministers earlier this month.

The statement called on Tokyo to increase "significantly and consciously" its imports of manufactured and processed farm products, and to liberalise its financial markets. Action was also demanded on the yen, a currency which many member states believe is artificially undervalued.

Mrs Margaret Thatcher, the British Prime Minister, re-emphasised the point with an attack on the "colossal imbalances" both in trade and the yen's value. She warned that failure by Tokyo to take sufficient note of the Community's frustration would lead to joint EEC-US action "to make Japan make real changes in trade policy."

The EEC leaders also called on M. Jacques Delors, the Commission President, to hammer home their concern at the forthcoming visit of Mr Yasuhiro Nakasone, the Japanese Prime Minister, to Brussels. Growing trade tensions between EEC and Japan have not been eased by Tokyo's

announcement last week of the first stage in its import action programme, which reduced tariffs on nearly 1,900 industrial and farm products.

The move got only a grudging welcome by M. Willy De Clercq, the EEC Trade Commissioner. He noted that many key products were excluded, and some would not enjoy the benefits until as late as 1987.

The heads of government also briefly examined recent moves by Comecon, the Soviet bloc trade organisation, aimed at building relations with the Community. But there was no attempt to push forward to a rapid resumption of the talks on trade relations that petered out in 1981.

## Council sees need for speedier decisions

THE conclusions of the Presidency on Institutional Affairs were as follows: The European Council held a wide-ranging discussion on the proposals of the ad hoc committee for institutional affairs set up at Fontainebleau and the draft mandate of the Italian presidency and in particular on the improvement of the Council's decision-making procedure, the enlargement of the European Parliament's role, the Commission's administrative powers and the strengthening of political co-operation in the general context of the transition to European union.

It confirmed the need to improve the operation of the Community in order to give concrete form to the objectives it has set itself, in particular as regards the completion of the internal market by 1992 and measures to promote a technological Europe.

The European Council noted that the president of the Council would submit proposals for the improvement of the Council's decision-making procedure, the exercise of the Commission's administrative powers and the Parliament's powers with a view to their early adoption.

The European Council discussed in detail the convening of a conference to work out the following with a view to achieving concrete progress on European union:

- A treaty on a common foreign and security policy on the basis of the Franco-German and United Kingdom drafts;
- The amendments to the EEC Treaty in accordance with Article 236 of that Treaty, required for the implementation of the institutional changes concerning the Council's decision-making procedure, the Commission's executive power and the powers of the European Parliament and the extension of new spheres of activity in accordance with the proposals of the Dooge Committee and the Adonino Committee.

The president noted that the required majority as laid down in Article 236 of the Treaty had been obtained for the convening of such a conference.

## 'Internal crisis' warning to EEC on sugar policies

BY JOHN EDWARDS, COMMODITIES EDITOR

THE EUROPEAN Community sugar policy is costing the consumer and taxpayer almost Ecu 2bn—about £1.12bn—a year, according to a report just published by Agra Europe, the agricultural intelligence organisation.

It says that "much as the Commission may seek to hide the cost of its policy by slick accounting" the EEC is facing an internal crisis over its sugar policy.

In renegotiating its support policy, the Commission will have to choose between reverting to regulations based on the costs of the most efficient producers—involving a price cut of more than 20 per cent—or continue with the present system.

Even if the present system is maintained, budgetary considerations will force a cut in production quotas and a reduction in the support level.

Part of the blame for the present plight of the world sugar industry is due to the EEC's sugar policy, which increased EEC exports now a major destabilising influence in the international market, the report adds.

It sees no solution to the world's sugar crisis. Chronic political interference and technical developments have combined to create a system of long term over-production.

Years of government manipulation and protection of domestic sugar production have ensured world output is well above consumption levels. Even present levels of demand are seriously threatened by increasing worldwide manufacture of "artificial sweeteners," the report points out.

\* EEC Sugar Policy and the International Market. Agra Europe (London), 16 Lonsdale Gardens, Tooting Bridge Wells. £25

## Closer collaboration on high-tech endorsed

BY ALAN FRIEDMAN IN MILAN

THE Milan summit gave its stamp of approval to the idea of a collective effort on Europe-wide technological co-operation. In particular it endorsed the French Eureka initiative for creating a technological Europe which would co-ordinate research and product application in the high technology field.

At the conclusion of the summit on Saturday night it was agreed that a ministerial-level meeting should be convened in Paris before July 14 to form an ad hoc committee which will study how to finance the Eureka programme. Research and science ministers from the 10 member states of the Community, new members Spain and Portugal and non-members such as Austria, Sweden, Norway and Switzerland are expected to attend the meeting and form the committee.

One idea discussed in Milan and seen as a serious prospect would be funding the technological co-ordination through the European Investment Bank (EIB).

Although M. Jacques Delors, president of the European Commission, has been a fervent advocate of technology co-operation, President Francois Mitterrand on Saturday was firmly resisting the idea of too much Commission involvement in Eureka. One French official explained: "We don't want the Commission to get its hands on this and create a bureaucracy which will frighten everyone away."

This French determination to keep the management of Eureka

Forty-seven measures aimed at making the EEC more relevant to its 227m citizens won the approval of the summit leaders, Ivo Dawmay writes from Milan.

The report of the so-called People's Europe Committee, chaired by Sig. Pietro Adonino, will now be up to the Commission and member states to implement. The heads of government have ordered the preparation of a progress report for the next summit in Luxembourg in December.

away from the European Commission fits in with the British view of strong support for Eureka as long as it does not create an unwieldy bureaucracy and entail heavy government contribution.

The French view is that the EIB, industry, universities and other private sector organisations should contribute to the funding of Eureka projects, which would focus primarily on the commercial exploitation of high technology products.

British Prime Minister Mrs Margaret Thatcher came to Milan armed with a proposal to create a "Euro-type product warrant"—a registration scheme open to European manufacturers of high technology products who can demonstrate that the product in question is being developed in collaboration with a company from at least one other European country.

People's Europe was an idea born at the Fontainebleau summit last year, when President Francois Mitterrand called for strenuous efforts to make the European ideal a more vivid everyday reality.

The committee's proposals include such ideas as educational exchanges, wider diffusion of television programmes, European work camps, cheap museums and more practical ideas such as an EEC driving licence and integrated rates for postal charges.

Once a product has been patented as a Euro-type product, a brief description and specification would be circulated to other European manufacturers, who in turn would then have the option to contact the originating manufacturers and offer to participate in the research and development, production and marketing of the product.

The chief benefit for the manufacturer of a Euro-type product would be the Europe-wide acceptance of the warrant as a domestic product for all purposes, especially in public sector procurement by Community member states or by non-members who are part of the agreement.

The British proposal, likely to be discussed at the ministerial meeting this month even contains a specific suggestion as to how Euro-type product warrants could be administered:



Thatcher backs Euro-type product

The European Patent Office in Munich, assisted by a small team of independent industrial consultants, would be asked to judge the eligibility of products based on agreed criteria.

While the scope of Eureka and a technological Europe remains vague, a Community consensus appears to be forming that a joint technological effort should be tied closely to other common policies, in particular the effort to unify the internal market and in trade. Heads of government meeting in Milan said a key goal was to reduce the risk of unnecessary duplication of national efforts in the high technology field.

For example, a British official pointed out that Europe produces no fewer than nine digital switching systems for a market which could support perhaps two or three at best.

## W. German car production likely to rise above 4m

BY KENNETH GOOING, MOTOR INDUSTRY CORRESPONDENT

CAR production in West Germany will top 4m for the first time this year and maintain the record level in 1986, according to the Economist Intelligence Unit's latest forecasts.

West German production nearly reached 4m in 1979, when the total was 3,933m. It fell back to 3,52m the following year but has been recovering steadily since then except for a slight setback in 1984.

The EIU, in a new quarterly publication, European Motor Business, suggests that Spanish car output will also rise strongly this year and next.

Demand in Spain is likely to remain depressed at around 501,000 this year (up from 466,524 in 1983) and 520,000 in 1986 leaving over 60 per cent of production—forecast at 1,26m this year rising to 1,35m in 1986—to be exported.

If the forecasts are correct, Spain will move well ahead of the UK in car output and

begin to creep up on Italy, the third largest West European car producing country.

The forecasters do not believe output in the UK will reach 1m again either in 1985 or next year.

Production of commercial vehicles is predicted to improve this year in all the markets except Sweden. The EIU says commercial vehicle output in West Germany will go up from 255,298 in 1984 to 265,000 this year and 270,000 in 1986.

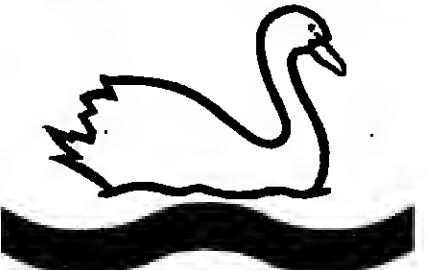
Equivalent figures for the other production countries are: France 348,863, 355,000 and 363,000; UK 224,525, 235,000 and 220,000; Italy 161,894, 165,000 and 170,000; Spain 131,876, 135,000 and 132,000; Sweden 59,011, 58,000 and 60,000; Belgium 52,112, 52,000 and 55,000 and the Netherlands 13,617, 14,000 and 15,000.

EIU European Motor Business: £165 a year from 40 Duke Street, London W1A 1DW.

# There's more to running water, than running water.



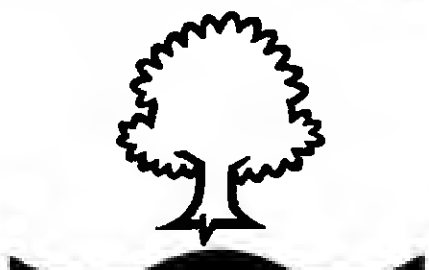
WATER RESOURCES



WILDLIFE PRESERVATION



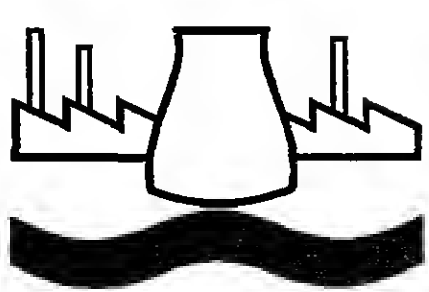
SEWAGE



CONSERVATION



BOATING



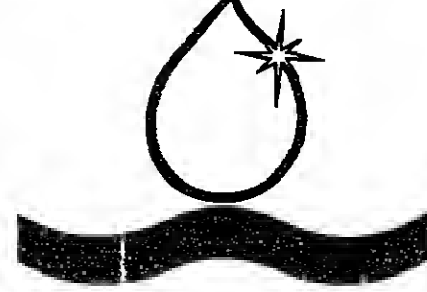
POLLUTION CONTROL



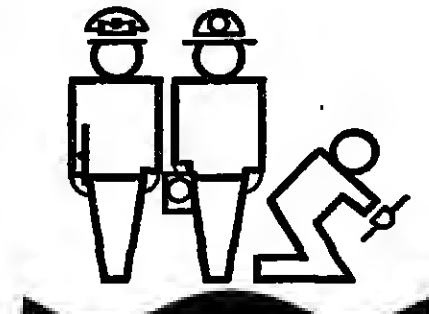
FISHING



OVERSEAS

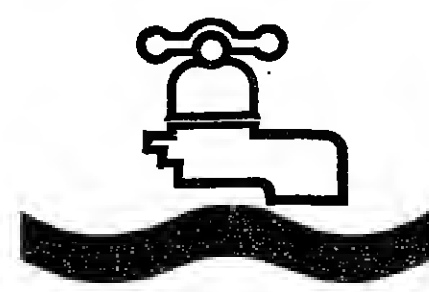


WATER TREATMENT



RIVER MANAGEMENT

FLOOD CONTROL



WATER DISTRIBUTION

Every day in Thames Water's 5,000 sq mile area, 11.5 million people are supplied with 1,000 million gallons of fresh drinking water. We then take away and treat almost as many gallons of sewage—double during storms or flooding. Of course, there's more to running water than keeping the facts and figures flowing. Thames Water is planning and building for all

tomorrow's needs. Every year demand for water increases by over 7 million gallons, which means developing new sources, building more reservoirs and constructing and maintaining a bigger and better distribution system. Thames Water is also responsible for Nature Conservation, Wildlife Preservation, River Management, Land Drainage, Flood and Pollution

Control, as well as the provision and maintenance of Recreational Facilities. This means more families are again enjoying the Thames. The salmon are returning and are again leaping the weirs, favourite birds are once again nesting and new species of plants are being discovered. Our achievements and expertise are

respected and exported worldwide. Only by the efficient management of the total water system can Thames Water best serve your needs, now and in the future. It is by Thames Water running water, that these benefits become clear. Thames Water, Nugent House, Vastern Road, Reading RG1 8DB.

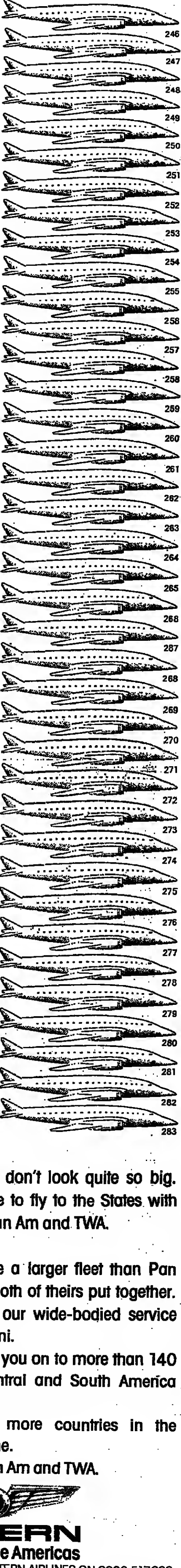
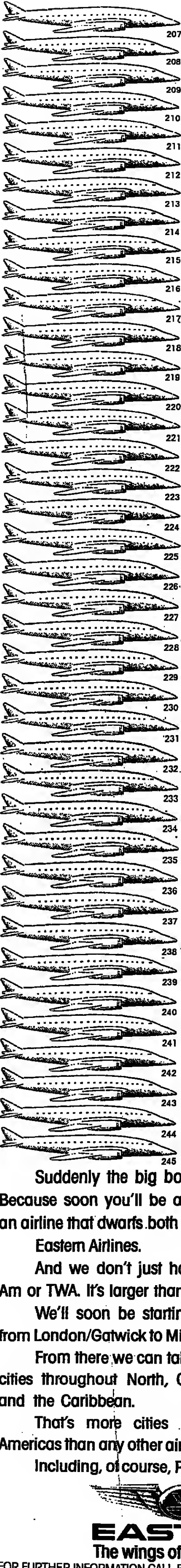
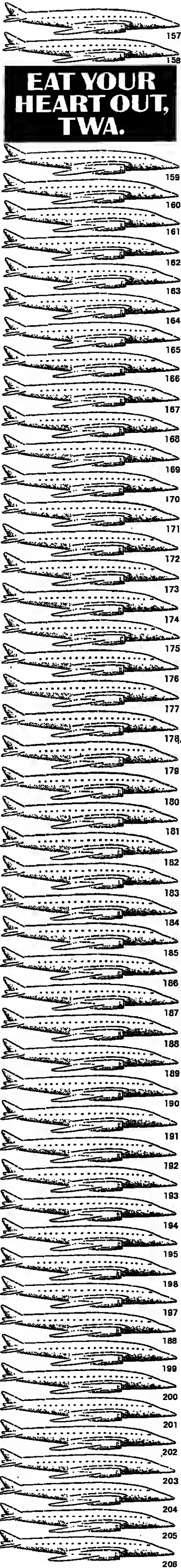
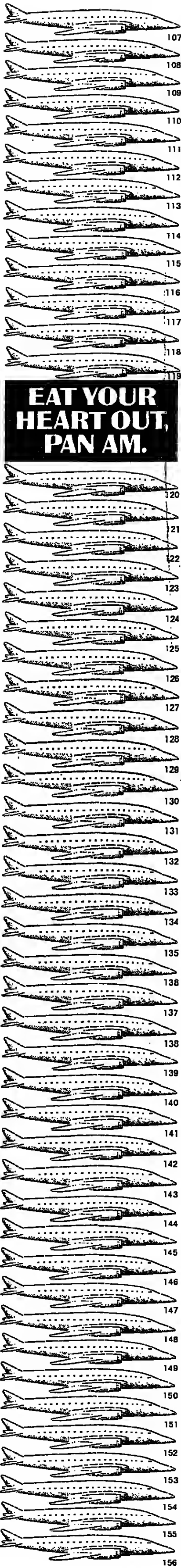
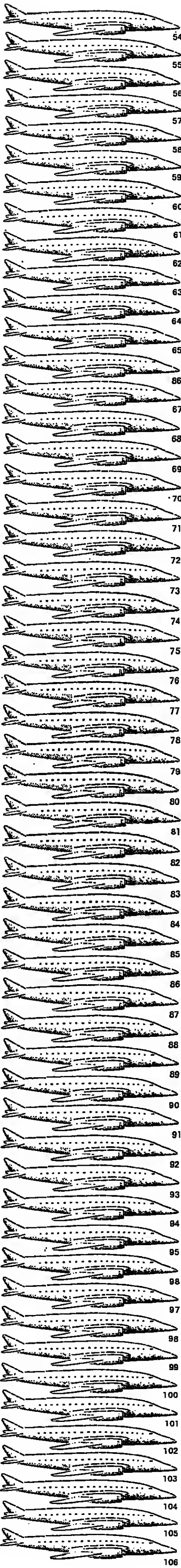
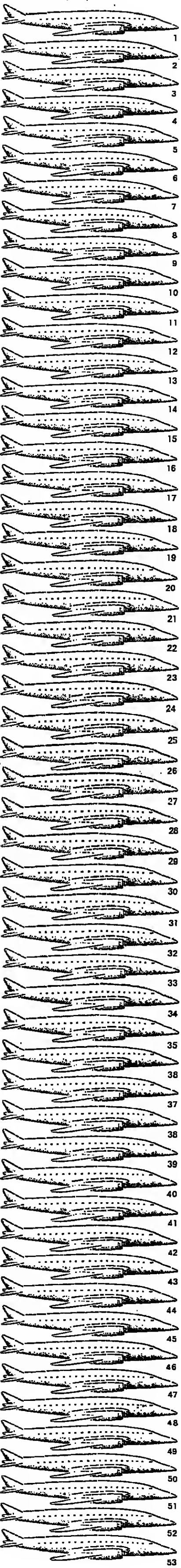


## RUNNING WATER FOR YOU

THE FOLLOWING COMPANIES PROVIDE WATER SERVICES IN CONJUNCTION WITH THE THAMES WATER AUTHORITY: LEE & VALE WATER • COLE & AILEY WATER • RICHMOND WATER • MOUNTAIN WATER • EAST SUSSEX WATER • NORTH'S, F&L WATER • SOUTH OF ENGLAND WATER • ESSEX WATER



Source: Aviation Daily - May 17 1985



**EAT YOUR  
HEART OUT,  
TWA.**

**EAT YOUR  
HEART OUT,  
PAN AM.**

Suddenly the big boys don't look quite so big. Because soon you'll be able to fly to the States with an airline that dwarfs both Pan Am and TWA.

Eastern Airlines.

And we don't just have a larger fleet than Pan Am or TWA. It's larger than both of theirs put together.

We'll soon be starting our wide-bodied service from London/Gatwick to Miami.

From there we can take you on to more than 140 cities throughout North, Central and South America and the Caribbean.

That's more cities in more countries in the Americas than any other airline.

Including, of course, Pan Am and TWA.



**EASTERN**  
The wings of the Americas

FOR FURTHER INFORMATION CALL EASTERN AIRLINES ON 0293 517622.

مكتبة الامم المتحدة



## WORLD TRADE NEWS

## Vickers in link-up to manufacture self-propelled gun

BY ANDREW WHITLEY IN RIO DE JANEIRO

VICKERS, the British shipbuilding and armoured vehicles company, has linked up with Cummins, the leading U.S. manufacturer of diesel engines, and with a privately-owned Brazilian shipyard, Verolme, to design and develop a tracked, self-propelled gun in Brazil.

The tri-national association, formed to produce a replacement for the ageing U.S. M-109 self-propelled gun, is being described here by those involved as "the most important private joint venture ever created in the defence sector."

Under the terms of the recently signed agreement, Verolme—a former subsidiary of the bankrupt Dutch shipbuilding concern—is to build the armoured chassis and body of the new weapon at its Angra dos Reis yard, while Vickers will supply the turret from the UK and be responsible for the acquisition of the gun.

Likely suppliers of the gun

are the Royal Ordnance factory or Rheinmetall GmbH of West Germany.

A separate understanding has been reached with the Cummins Engine Company of Columbus, Indiana, whereby the U.S. company will equip the Verolme chassis with a diesel engine made by its Sao Paulo subsidiary.

The capacity of the engine has not been disclosed.

Mr Peter Landsberg, president and chief shareholder of Verolme, said on Friday the weapon was being developed for the export market rather than the Brazilian armed forces. The main market is seen as the Third World but Mr Landsberg said he hoped Cummins' involvement would help to attract North American customers as well.

According to Sr Paulo Kos, vice-president of Verolme, a potential world market of 3,500 units exists for the weapon, whose sale price is estimated at \$1m (£775m).

## Bofors wins Brazilian deal

BOFORS, THE Swedish armaments manufacturer, has won two orders in Latin America worth a total of SKr 255m (£22.3m), writes David Brown in Stockholm.

The group is to supply the Brazilian military with an unspecified number of 40mm Bof-type aircraft pieces—which include radar equipment produced by L. M. Ericsson—worth SKr 190m over the next two years.

A further SKr 65m order was received for 57mm MK-2 naval

guns for coastal patrol boats, but Bofors declined to name the buyer-country.

Skanska, the Swedish construction group, has confirmed that it has signed an order to complete "at least one" passenger-car ferry for the Polish shipyard authorities, in a deal worth about SKr 150m.

Stena Line, of Sweden, ordered four vessels from Polish yards in 1978. However the Poles—hit by labour unrest, and production and supply problems, are three years behind the delivery schedule.

## UK group to build Canadian steam plant

By Andrew Fisher

GKN BIRWELCO, part of Guest Keen and Nettlefold of the UK, has won a C\$72m (£41m) contract to provide a refuse fired steam plant for the Greater Vancouver Regional District in western Canada.

The contract covers the design, supply, construction and operation of the plant, which will be able to burn 458 tonnes a day of unsorted domestic and municipal refuse on two grates to be supplied by Martin GmbH of West Germany.

Saturated steam generated by the plant will be sold to a neighbouring paperboard mill in South Burnaby.

## Lufthansa announces

## Airbus orders

West Germany's national airline, Deutsche Lufthansa AG, has announced a deal to buy 15 European Airbus A320s with an option on 25 more. Reuter reports from Frankfurt.

The contract, signed at the weekend by Mr Jean Pierson, Airbus Industrie chairman, and Mr Reinhardt Abraham, Lufthansa executive, also included the purchase of seven wide-bodied A300-600s with an option on a further three. Lufthansa said. It gave no financial details but industry sources said the order was worth at least \$1bn (£775m).

## Occidental signs China mine deal

China has signed a \$850m (£503m) deal with Mr Armand Hammer, Occidental Petroleum Corporation's chairman, to develop what he said was probably the largest open-cast coal mine in the world.

The deal, signed after nearly four years of negotiations, is thought to be the biggest joint venture China has made with foreign companies after a nuclear power plant to be built in south China.

## British company wins share in SA order

A British-West German consortium has been awarded a £20m contract by Amcoal for the removal of sand layers at the New Vaal Colliery in South Africa. The companies are Babcock-Moxey, part of Babcock International of the UK, the South African subsidiary of O and K Orenstein and Koppel of West Germany.

Chris Sherwell reports on UK moves to increase south east Asian orders

## Channon boosts Railbus sales drive

MR PAUL CHANNON, Britain's Trade Minister, meets Indonesian officials today and his Malaysian counterpart later this week, to step up the UK Government's support for British Rail and Leyland.

The item he is helping to sell is the novel Railbus, which combines an undercarriage and suspension from British Rail Engineering and a bus body and diesel engine from Leyland. Both state-owned concerns.

Last week, while in Bangkok on the first leg of a 19-day south-east Asian tour, Mr Channon took a prospective sale to Thailand of up to 14 two-car units a stage closer. Malaysia is in line for 10 such units, while Indonesia, given three three-car units as a £2m gift by Britain last month, could take up to 15 more on a commercial basis.

The Indonesian gift along with grants of financial aid by Mrs Thatcher's Government to help Thailand and Malaysia buy Railbuses, mark a significant break with policy. But the government says such aid is

essential to win orders in south-east Asia, and insists Railbus offers an unusual export opportunity.

Railbus is described as a low-cost, low-maintenance, fuel efficient form of suburban rail transport, ideal for commuter use on otherwise uneconomic branch lines. Already in use on British Rail, a simple version has been operating in Thailand and Malaysia for 15 months on demonstration runs, and the Indonesian gift will serve the same purpose of proving its usefulness.

Both Malaysia and Thailand can expect UK aid of up to 25 per cent of the contract value in purchasing the Railbus. But how much the prospective deals will actually be worth depends on the "extras" such as air conditioning and toilets, which are added on to the basic model.

These would cost around £250,000 to £300,000, meaning tens of millions of pounds of business is at stake. The real value, though, would show up later in additional orders down the years.

The sales opportunity is seen

as unusual because Britain is in a position to snatch a lucrative south-east Asian market not yet cornered by foreign competitors. One of these, Japan, is believed to be demonstrating a comparable vehicle.

Another, Hungary, is competing in Malaysia with a vehicle manufactured by Ganz-Mavag. The Hungarians may support their bid with a counter-trade element, something Britain would have to counter.

Mr Channon will be trying to persuade the Malaysians not to put any order out to tender. But a Malaysian deal could be stalled until later in the year, when the terms of the country's next five-year plan, including the Railbus purchase, will have been confirmed.

A deal could also be delayed through a failure by Malaysia and Britain to agree details of extra flight services, a still unresolved and separate bilateral issue. British Steel lost an order to Poland last year for the same reason.

In Indonesia there are several technical matters still to iron out concerning track and

bridge loadings, before demonstration services start, but negotiations are likely to begin on commercial orders in the wake of Mr Channon's visit.

The best hope for the first south-east Asian Railbus order seems to lie in Thailand, where the UK aid offer is designed specifically to sweeten the price and gain a competitive edge.

Earlier there was some anxiety while the state railway authority and the communications minister made up their minds. In the event, the Thais opted for Railbus units with sophisticated trimmings and they will be used on mainline rather than branch services.

In all three countries, representatives of British Rail Engineering and British diplomats have invested considerable efforts in making the necessary political contacts and smoothing the way towards orders for Railbus. At one point, in Kuala Lumpur on her whirlwind tour in April, even Mrs Thatcher drove one. She and Mr Channon are keen to see the fruits of these efforts ripen further.

## SHIPPING REPORT

## Tanker and grain rates continue to decline

By Andrew Fisher, Shipping Correspondent

GRAIN RATES continued to fall last week, while tanker business was slack ahead of next week-end's meeting of the Organisation of Petroleum Exporting Countries at which some accord on prices and output quotas is hoped for by the market. One London ship-broker said some Gulf rates had never been lower.

On both north and south Atlantic routes, grain activity was depressed. Soviet redeliveries over the past month of at least 25 bulk carriers chartered to meet 1984-85 grain import needs helped keep the market weak.

The grain rate from the U.S. Gulf to continental Europe fell further to \$7.50 (£5.8) a ton—in May it was over \$9—while that to Japan also slipped to \$13.25 (more than \$14 in May), said Denholm Coates, the London ship-broker.

Coal markets were quiet, with rates drifting down. Ore trading was also slack and rates crumbled. With more tonnage becoming available for July, Galbraith's said "prospects look distinctly gloomy."

On the tanker scene, operators are pinning their hopes on the Opec partners agreeing to price cuts and thus stimulating demand. Until then, little is likely to happen on the market.

There are 29 VLCCs (very large crude carriers) of 8m deadweight tons sitting off the Gulf waiting for employment, E. A. Gibson Shipbrokers said. "Charterers have had no difficulty whatsoever in depressing rate levels to an all-time low."

Nippon Yusen is to become the first Japanese shipping company to run its own double-stack container train from the West Coast of the U.S. to the American Midwest, writes Nancy Dunne in Washington.

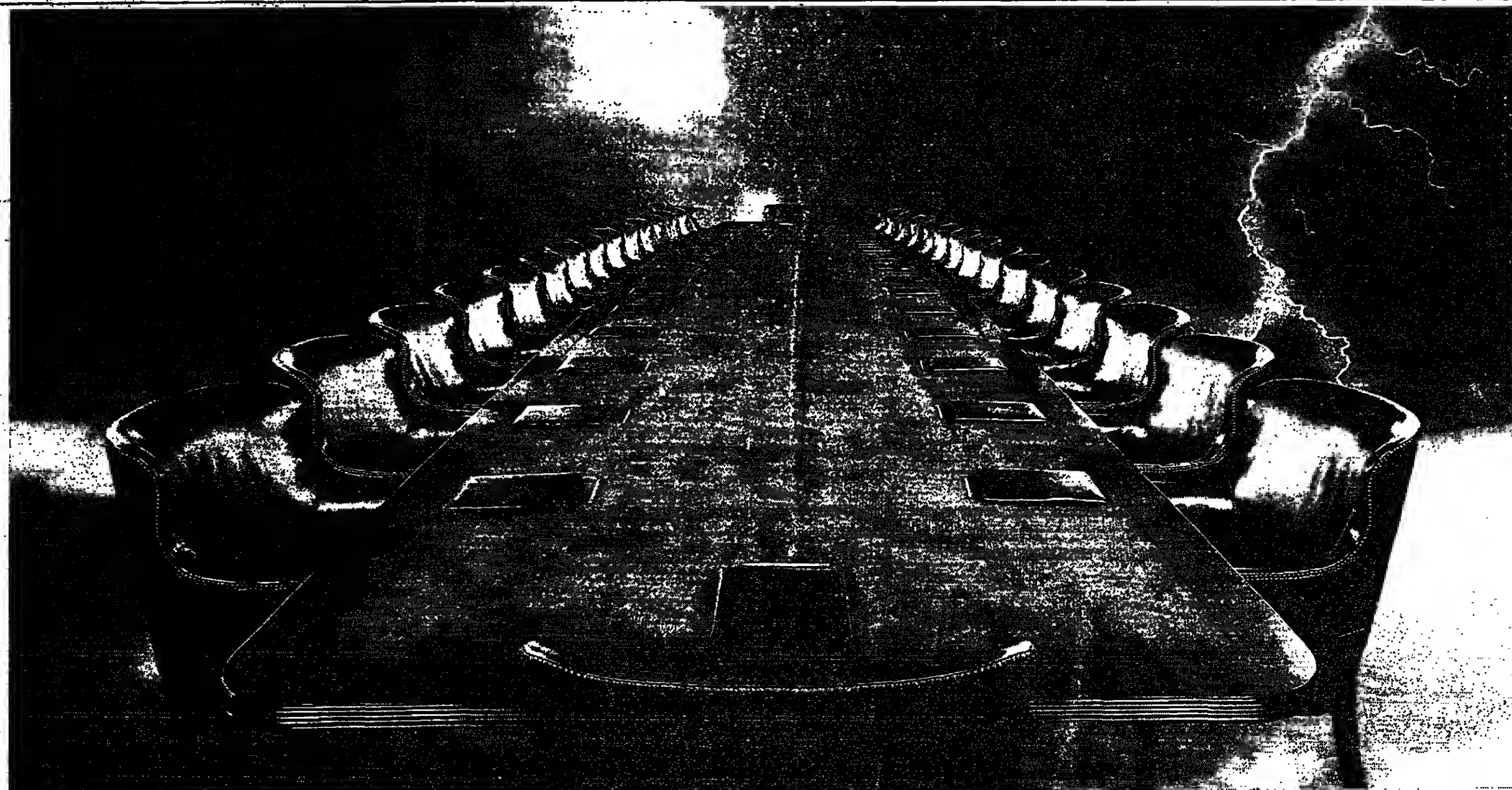
The practice of using the lighterweight, more fuel-efficient double-stack trains has been growing in the U.S. over the past four years. The entrance of Nippon Yusen into the business is a logical extension of the massive flow of U.S. imports from Japan and the other Pacific rim countries.

## World Economic Indicators

INDUSTRIAL PRODUCTION (1980 = 100)

	May 85	Apr. 85	Mar. 85	May 84	% change over previous year
U.S.*	165.3	165.5	165.9	162.8	+1.5
UK	107.4	106.8	104.5	102.3	+5.0
N. Germany	101.0	102.5	103.1	97.5	+3.4
France	101.4	101.0	98.0	100.3	+1.1
Italy	98.0	98.3	91.7	94.2	+4.0
Netherlands	104.3	104.2	100.1	102.8	+3.4
Japan	118.4	120.3	120.4	112.8	+5.1

Source (except U.S., UK, Japan): Eurostat



## Announcing the bank for today's corporate climate. First Interstate Bank, Ltd.

Four years ago, First Interstate Bank unified 21 banks into a single retail system across the Western United States. The move gave people more banking convenience than ever before.

Today, we announce First Interstate Bank, Ltd., a bank devoted to corporate financial needs. This move is designed to help you succeed in today's

highly competitive climate.

Specifically, First Interstate Bank, Ltd. delivers to you three major integrated capabilities: wholesale banking, capital markets, and investment services.

And, because we are a wholly owned subsidiary of First Interstate Bancorp, the eighth largest banking company in the U.S., you can benefit from the resources and

sophistication that come with \$46 billion in assets.

In wholesale banking, as before, we offer distinctive strengths as a knowledgeable and creative lender. Also, our multistate and multinational network has propelled us to leadership in cash management and trade finance throughout the Pacific Rim.

We give you a strong capital

markets group, with specialized officers in Los Angeles, Chicago, New York, London, Hong Kong and Tokyo. We can access sizable funds anywhere in the world for capital markets clients. And we can tailor any number of services to your needs—including foreign exchange, securities advisory and placement services, interest rate and currency swaps, and more.

Finally, our investment services group is organized to handle complex investment needs. It brings you the zest and specialization of small entrepreneurial firms, with the breadth and credibility of large portfolio managers. It also combines with First Interstate's institutional trust capabilities to provide corporate trust, employee benefit trust, and custodial

services.

So if you find the business climate stormy, contact your nearest First Interstate Bank, Ltd. officer. We've done something about the weather.

**First Interstate Bank Ltd.** Member FDIC



## CORRESPONDENT BANKING IN THE FINEST ROYAL TRADITION

A commitment to mutually rewarding correspondent banking.

Consolidated assets of some DM 100 billion.

Headquartered in Munich, the hub of Bavaria's growing technology-based economy.

Southern Germany's most extensive branch network.



Head Office: Theatinerstrasse 11, D-8000 Munich 2  
Tel.: (089) 23 66-1, Telex 5286 525-27

## UK NEWS

### Electricians seek to extend peace deals

BY HELEN HAGUE

THE ELECTRICIANS' union believes it could shortly negotiate four more so-called "no-strike" deals in high technology and electronics companies, Mr Eric Hammond, general secretary of the EETPU, disclosed on the eve of the union's biannual conference in Blackpool. The union's leadership will face criticism from some factions of the union over the deals it has already struck from the conference floor later this week.

Mr Hammond disclosed that six more deals - in addition to the four that are "capable of being tied up shortly" - were also in the offing. "It means that we grow by recommendation as well as example," said Mr Hammond.

Mr Hammond could envisage discussions taking place "which would make disputes less likely." The agenda would have to include:

- A proper recognition of the place of supply workers in terms of wages and conditions.
- It would probably include having a single status negotiating forum for the electricity supply industry.

"If the Government was prepared to talk on these points, it might be we could look to a new deal," said Mr Hammond. That, however, would need the agreement of all unions concerned plus membership consultation.

He made clear that the union would be in the forefront of opposition to government legislation, which sought to impose a ban on strikes in essential services.

No such move was justified, said Mr Hammond, with particular reference to electricity supply - an area where the electricians played a key organisational role.

Although the union would be opposed to any imposition by law, it would be prepared to talk about a possible deal.

He does not believe the union will be expelled from the Trades Union Congress (TUC) for taking government cash for ballots.

### Ministers study plea to ease 'distortion' in capital tax rules

BY CLIVE WOLMAN

BRITISH Treasury ministers are considering a last-minute amendment to the Finance Bill which insurance companies and stockbrokers claim is necessary to prevent serious distortions emerging in the UK's financial markets and a clog on equity trading.

The protests have arisen over the effect of the changes in the capital gains tax (CGT) rules announced in last March's budget. A lobby led by the Association of British Insurers, the insurance company trade association, claims that the new rules will prevent investors from buying any more blue chip stocks and other leading UK equities and force them to invest more of their money overseas.

The rules also magnify the locking-in effect of CGT by imposing a heavy penalty on the sale of part of a holding of shares in an individual company that has been built up over many years.

Mr William Mahoney, of stockbrokers W. Greenwell, which has joined the representations to the Government, said: "The CGT rules have become so complicated that it has taken a long time for people to realise how much this is going to damage the stock market."

The disputed tax changes are a by-product of the decision announced by the Chancellor of the Exchequer to make the CGT inflation adjustment provisions comprehensive. The new rules require that when part of a holding of shares that has been built up over many years is sold, the capital gain is calculated by reference to the cost of the earliest shares in the holding to have been acquired. This is a form of the first-in-first-out (FIFO) method of accounting.

Many insurance companies have large holdings in blue chip stocks such as Marks & Spencer or GEC which were first acquired in the 1950s or 1960s and have values that have multiplied several times in nominal terms since then.

The CGT rules that applied between 1982 and April of this year allowed investors to use the last-in-first-out (LIFO) method of calculating the capital gain on the sale of part of a shareholding.

The effect of the change is demonstrated by the case of one mutual insurance company which manages approximately £1.5bn (\$1.95bn) of UK equities. In March it added to

its holding of ICI shares by buying about 130,000 shares at a price of about 800p, which it now wants to sell.

Based on Friday's price of 740p, it would register a capital loss of 60p under the pre-April LIFO rules. That would be enhanced by the indexation allowance and could be offset against other capital gains.

Under the rules in the Finance Bill, which is now reaching the end of committee stage of its passage through the House of Commons, the company will be forced to identify the shares with a pool of all the ICI shares it acquired before 1982 at an average cost of only 231p. Thus, the company will be deemed to have made a nominal capital gain of 509p a share and will be obliged to pay CGT of about 150p a share - or about £200,000 in total. The loss per share, after tax, as a result of these two transactions will be not 60p but about 210p.

As a result, the company is unlikely to sell the shares at all. It is also unlikely to add further to any large holdings of UK equities which have been built up over many years at a relatively low base cost, even if it believes such purchases are justified on economic grounds.

Instead, there will be a strong incentive for the insurer to invest in companies in which it has no holdings. That will not be an easy task for many large institutional investors if they are limited to the UK.

According to Mr Howard Davies, assistant investment manager of the Co-operative Insurance Society: "There will not be enough equities to go around here. People will be encouraged to look overseas." Mr Davies estimates that about 80 per cent of new cash coming into an insurance company's equity fund goes at present into existing holdings and only 20 per cent into new holdings.

He also estimates that the changes, if implemented, would lead insurance companies, as the leading CGT-paying institutional investors, to reduce their equity turnover by between 10 and 25 per cent, which would also cut stockbrokers' commissions.

The lobbyists are pressing the Government either to restore the LIFO method of calculating gains or to introduce a different method of pooling the shares in a single company.

### Polls predict close count at by-election

BY PETER RIDDELL, POLITICAL EDITOR

THE OUTCOME of the Brecon and Radnor by-election for a seat in the House of Commons on Thursday may remain in doubt up to the last minute following the publication of sharply contrasting opinion poll figures over the weekend.

A Market and Opinion Research International survey in yesterday's Sunday Times makes Labour the clear favourite to win the seat on the Welsh and English borders at 44 per cent, compared with 24 per cent for the Conservatives.

This poll was carried out last Thursday and Friday, but a National Opinion Poll survey for the Daily

The Mori survey was based on interviews with a representative sample of 627 people in 47 different points, while NOP talked to 749 people in 37 points.

A further survey for HTV is expected to be announced this evening.

The Conservatives are defending a majority of 8,784 won by the late Mr Tom Hooson at the 1983 general election.

The outcome is being watched closely by all parties and may have an important psychological effect on party morale and opinion poll ratings despite the highly unusual nature of the constituency.

BRECON AND RADNOR - POLLS

	1983 Election	MORI June 4-6	NOP June 22-28	MORI June 27-28
Conservatives	48	31	34.5	24
Labour	25	39	32	44
Alliance	24	28	30	30
Other	3	2	3.5	2

Mail carried out at the beginning last week put the Conservative candidate in the lead at 34.5 per cent, ahead of Labour at 32 per cent. Both polls put the Liberal-SDP Alliance at 30 per cent.

It is unlikely that such a large movement can be explained by changes in voting intentions in such a short period or by the pollsters' usual margin of error. The pollsters may be facing problems in surveying such a large constituency with so many small towns and villages.

Labour claimed the Mori survey supported its canvass returns, while Mr Alan Beith, the Liberal Chief Whip, pointed out that a poll a few days before last year's Fife South by-election put the Alliance candidate in third place, although he won. A Conservative Central Office worker said the poll was "so way out as to be unbelievable."

Interpretation of the result, expected around lunchtime on Friday, may be complicated by the three-way split of the votes.

None the less, a win for Labour would be a boost for the leadership of Mr Neil Kinnock, while the Tories will be relieved to hold on to the seat even if their vote drops. The Alliance will be hoping for a win or a strong second place to maintain its advance in the polls this year.

A Mori national survey, conducted on June 21 and published in the Sunday Times, suggests that Labour is now in a clear lead at 40 per cent, ahead of the Tories on 28 per cent and the Alliance on 28 per cent. This indicates that Alliance support may have slipped back from the 30 per cent plus level it enjoyed immediately after its successes in the county council elections in early May.

# NOW NOTHING CAN STOP YOU FROM MAKING MONEY.

The moment you buy the new 3rd Issue Index-linked Certificate you have an investment that guarantees your return for a full five years without putting your working capital at risk.

An investment where your capital and the interest it earns are inflation-proof and all returns are tax-free.

Index-linked Certificates offer a unique opportunity to gain 3.54%p.a. Extra Interest on your money for a full five years - over and above the return generated by continuous index-linking.

Just keep your Certificates a year or more. Then making money with the new 3rd Issue is inevitable.

You're guaranteed a risk-free, inflation-proof investment with a real return



which grows each year.

It's an inflation-beater and it's tax efficient too.

#### This is how it works

1. Every month your money grows by the rate of inflation.
2. On top of that, for each extra year you stay you get a higher rate of guaranteed Extra Interest.
3. At the end of each year the index-linking and the Extra Interest are added to your investment.
4. The following year, you earn interest and inflation-proofing on the new, larger amount of capital.
5. All your returns are tax-free.

3rd Issue Certificates are on sale at post offices. Pick up a leaflet for further details. Or ring 0272 290871 (any time) and we'll send you one.

Buy the 3rd Issue now.

## NEW 3rd ISSUE. WITH GUARANTEED EXTRA INTEREST. INDEX-LINKED CERTIFICATES

Notice to holders of Scrip Certificates in

### De forenede Bryggerier A/S (Carlsberg - Tuborg)

Against surrender of Scrip Certificates issued in February 1985 new Share Certificates with coupon sheet will be delivered.

The exchange will take place at the respective issuers:

DEN DANSKE BANK, 12, Holmens Kanal, DK-1092 Copenhagen K, PRIVATBANKEN, P.O. Box 1000, DK-2450 Copenhagen NV and KJØBENHAVNS HANDELSBANK, 2, Holmens Kanal, DK-1091 Copenhagen K.

Copenhagen 21st June, 1985

DE FORENEDE BRYGGERIER A/S



## UK NEWS

## Record £2bn spent on merger deals

BY DAVID GOODHART

BRITISH COMPANIES spent just under £2bn on mergers and acquisitions in the first quarter of this year. It was the highest figure ever recorded, according to the Department of Trade and Industry.

The 104 mergers were actually significantly fewer than the 177 in the fourth quarter of 1984, but the value of the deals at £1.98bn was 7 per cent higher.

More than half of that sum arises from just two huge transactions – the acquisition of Hambro Life Assurance by BAT Industries for £602m, and the acquisition of Sterling Guarantee Trust by P&O for £355m.

Two other big deals were the purchase of Trident Television by Pleasure for £117m and British American Cosmetic by Beecham Group from BAT Industries for £104m. A further 16 deals were valued at more than £10m.

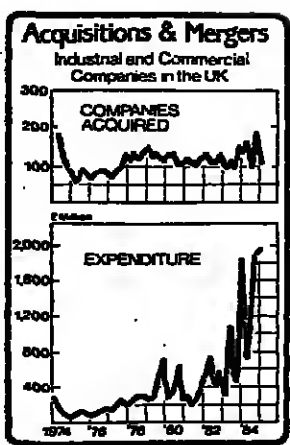
According to the department, the total money value of acquisitions was the highest on record but, after adjusting for inflation, it was equivalent to only about half of 1972 expenditure.

The average value of all acquisitions in the first quarter of this year was £18m compared with £10.5m in the previous quarter. Taking the whole of 1984, the figure was £9.8m compared with £5.2m in 1983.

The percentage of expenditure in cash fell by about 12 per cent in the first quarter of 1985 and accounted for 41 per cent of the total as against 53 per cent in the previous quarter.

Expenditure in terms of ordinary shares decreased slightly to account for 41.5 per cent of the total and the proportion accounted for by the issue of fixed-interest securities rose from 4.5 per cent to 17.5 per cent, the highest since the first quarter of 1984.

The increase in the share of fixed-interest securities in this quarter is mainly attributable to the acquisition of Hambro by BAT, Trident Television by Pleasure and Law Land by Greycoat City Offices.



Business failures in the UK continued at record levels during the first half of this year, according to the first comprehensive survey by Dun & Bradstreet, the business information company.

Total company liquidations in England, Wales, Scotland and Northern Ireland for the first six months were 7,984, a 4 per cent increase on the same period of 1984. However, bankruptcies among individual firms and partnerships fell to 3,331, in the first six months of 1985 – a 17.5 per cent decrease over the same period last year.

Dun & Bradstreet said: "While continuing to be high, business failures overall show a significant division between company liquidations and bankruptcies."

"Company liquidations in the UK show a 4 per cent increase over the same period in 1984, whereas bankruptcies show a decrease of 17.5 per cent."

In England, the first half results show that London and the South east of England continued to be the area worst hit by liquidations, followed by the North west, the West Midlands and the North east of England.

Scotland showed a fall in the number of company liquidations by 43 per cent on the first half of 1984.

## Phoenix dissidents win back their vote

By Raymond Hughes, Law Courts Correspondent

DISSIDENT shareholders in Phoenix Timber Group have defeated an attempt to stop them voting at the company's extraordinary general meeting today.

A High Court judge on Friday set aside an injunction made on Wednesday against Mr Michael Hermann, a Phoenix director, and his wife, who between them hold 359,580 of the company's shares.

Mr and Mrs Hermann requisitioned today's meeting for the appointment of new directors. They are heading a group of shareholders trying to wrest control of Phoenix from the present board.

The board went to court complaining that the Hermanns had breached a section of the Companies Act by not disclosing the identities of beneficiaries of certain trusts on whose behalf they hold some of the Phoenix shares.

Mr Justice Mervyn Davies said there were grounds for supposing that the Hermanns had given what information they could about the beneficiaries.

He said such information as there was about other interests in the shares was as much known to the company as it was to the Hermanns.

## CAR MAKERS GIVEN TIME TO COMPLY WITH RULING

## Community brings car pricing into line

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

REGULATIONS to bring taxable car prices in the European Community more into line take effect today, but there will be no practical impact until the autumn.

The European Commission had granted the car makers a further three months to sign new contracts with their dealers and to comply with the regulations.

The regulations permit the car makers to retain the previous selective distribution system – which allows them to restrict sales of new cars to their own franchised dealers.

That restriction on trade would be illegal if the Commission did not give a special exemption. The Commission agreed that it was in the public interest for the franchised dealer networks to continue to operate because of the servicing required for cars and the safety factors involved.

However, the makers were also warned that pre-tax car prices in different parts of the Community were often too wide apart.

The new regulations insist that the price for the same model should be no more than 18 per cent higher in one Community country than in another.

Any company that fails to comply runs the risk of losing its right to maintain a franchised dealer network.

The motor industry had asked for 12 months' grace but the Commission gave nine months. That means that monitoring of the regulations will not start until October at the earliest.

The UK Consumers' Association said at the weekend that it was "absolutely despicable" for

the car makers to be given extra time. "There is very little justification to give them another three months, considering the time that this matter has been under discussion," it said.

However, the Society of Motor Manufacturers and Traders pointed out that the Commission had accepted that the producers could not get through the complexities involved in renegotiating contracts with all their dealers in the six months since the new regulations were agreed.

## British butter prices 'could be halved'

BY JOHN EDWARDS, COMMODITIES EDITOR

THE PRICE of butter in Britain could be halved, and that of cheese reduced by a third, if the UK abandoned its present milk marketing system, according to a report by the Adam Smith Institute, the economic research group.

Decades of government intervention had made Europe's dairy industry so inefficient that it had to impose an import levy of 50p a pound to keep out foreign competition, the institute said. Large sums of taxpayers' money were required, moreover, to shore up the complex mechanism of controls, and butter was sold cheaply to the Soviet

Union while EEC consumers had to pay dearly.

The report, urging that the UK milk cartel be "smashed" claimed that policies designed to promote stability in the market had actually thrown the dairy industry into chaos.

Each government-inspired attempt to regulate the market had caused unwanted side effects that required still more changes in policy. As a result dairy farmers had been driven out of business and the industry had become concentrated in the hands of a large producer group, unresponsive to consumer needs, the institute claimed. The

problem had become particularly acute because the body designed to regulate producers – the Milk Marketing Board – also competed with them, making the position of smaller dairy farmers and manufacturers intolerable.

The report estimated that the Milk Marketing Board controlled 60 per cent of all manufacturing capacity in the UK. Its manufacturing offshoot, Dairy Crest, was immune from many of the normal competitive pressures that work to satisfy consumers in other markets, the report claimed.

The institute suggested, however,

that pressure from consumers, small farmers and countries put at a disadvantage by the present policies would soon bring an end to the existing arrangements.

Several competing producer co-operatives could be established to attack the privileged position of the Milk Marketing Board and sharp competitive pressure brought to bear with unrestricted imports of milk.

The long-term result would be a more stable milk industry.

Milking the Consumer, Adam Smith Institute, PO Box 316 London SW1P 3DJ £2.

## Editor of Financial Times wins U.S. award

MR GEOFFREY OWEN, editor of the Financial Times, has been named International Editor of the Year by the World Press Review, a leading U.S. media magazine.

The award – presented annually since 1975 – honours "courage, enterprise, and leadership on an international level in advancing press freedom and responsibility, enhancing world understanding, defending human rights, and fostering journalistic excellence."

Mr Owen, 51, is recognised "for his leadership in outstanding coverage and interpretation of international banking and debt problems and other global concerns; for his newspaper's general excellence; and for his contribution to its international role."

He joined the FT in 1958 and served as U.S. correspondent, industrial editor, and deputy editor before becoming editor in 1981. From 1987 to 1972 he worked for the Industrial Reorganisation Corporation and British Leyland.

He is the third British editor honoured by World Press Review. Mr Harold Evans, formerly of The Sunday Times, was Editor of the Year in 1975, and Mr Andrew Knight of The Economist, in 1981.

## How cinemas plugged the audience drain

THE CINEMA at Woodbridge, Suffolk, on the eastern side of England, was built in 1915 and destined to go the way of hundreds of other British cinemas when Mr Pat Betts bought it.

Mr Betts, chairman of his own group of private component and castings companies, only became interested because he remembered the dilapidated cinema in its red plush days in the 1930s when he was a boy. He did not want to see it turned into a warehouse.

"When I was at school you queued up on Saturday afternoons and only got in if you were lucky," said Mr Betts, who bought the cinema for £70,000. In May this year it reopened, restored to its former glory after a £200,000 refurbishment and the addition of a brasserie open from 8am to 11pm.

The first film to be shown, the Oscar-winning Passage to India, played to capacity audiences and 200 people had to be turned away from the booking office.

Subsequent films have not done quite so well and Mr Betts concedes that the cinema is going to need constant attention if it is going to survive.

"There is no pot of gold at the end of it but we are going to make a go of it," Mr Betts says with determination. The cautious optimism about the future of the Riverside Theatre in Suffolk is a small symbol in British Film Year of the fight back of the cinema exhibition industry in the UK. Attendances fell last year to an all-time low of 55m compared with 69m in 1983 and more than 800m a year during the 1960s.

Now the audience seems to be returning and cinema chains are optimistic that they can get back this year to 1983 level of admissions.

"For the first six months we are up 24 per cent and we did not go down as far as the other chains last year," said Mr Martin Stafford, general manager for cinema marketing at Thorn EMI which runs 106 cinemas with 267 screens.

Mr Stafford believes that the publicity generated by British Film Year has played a part in the upswing by attracting some people back to the cinema for the first time in years. Later this month Thorn EMI will announce the construction of a new multi-screen cinema in a £3m development.

Last month the Rank Organisation opened a new three-screen Odeon cinema in Bristol, part of a £4m development. The new James Bond film A View to a Kill, which has been breaking box-office records in London, has been playing to capacity audiences in the new cinema.

"Bristol, we believe, is the first new cinema to be opened in British Film Year," Rank said.

Rank is now planning a series of new cinemas in joint deals with developers.

Earlier this year, attendances at the Rank Organisation's 78 cinemas with 197 screens, was running 65

Raymond Snoddy says that an increasing number of British cinemas are playing to packed houses as the industry cautiously anticipates a revival in its fortunes.

per cent higher than the same period last year. The increase has now eased to 50 per cent, but Rank expects attendances to rise again as James Bond goes on general release. The Film Year, the company believes, has played a part by increasing awareness of the cinema.

The British Film Year Roadshow, which will visit 25 British towns and cities this year with stuntmen, stars and special screenings, has been getting an enthusiastic reception. Omar Sharif turned up in Lincoln for a special showing of Lawrence of Arabia, the film that launched his career.

Hull organised a film festival to coincide with the week the Roadshow was in town and audiences at the Hull Film Theatre rose 100 per cent. Managers report cases of people who had not been to the cinema for the past six years going three times in a month.

Whether such visits will have much lasting effect is more difficult to say. However, the Hull Daily Mail has proposed sponsoring a film festival again next year.

Mr Barry Jenkins, managing director of Cannon Classic cinemas, is sceptical about the effect of British Film Year so far.

"I do not honestly believe that the increase has much to do with British Film Year. It only started in April and I think 90 per cent of the rise is due to the good films that have become available," said Mr Jenkins.

Cannon Classic admissions are 35 per cent up on last year and, with a number of strong films on the way, Mr Jenkins believes the increase for the year might easily be in excess of 50 per cent.

Cannon, which has 128 screens in the UK, is enthusiastic about the future of the British industry. Mr Jenkins is in the market for more cinemas in the right locations and up to £40m might be available for expansion in the UK.

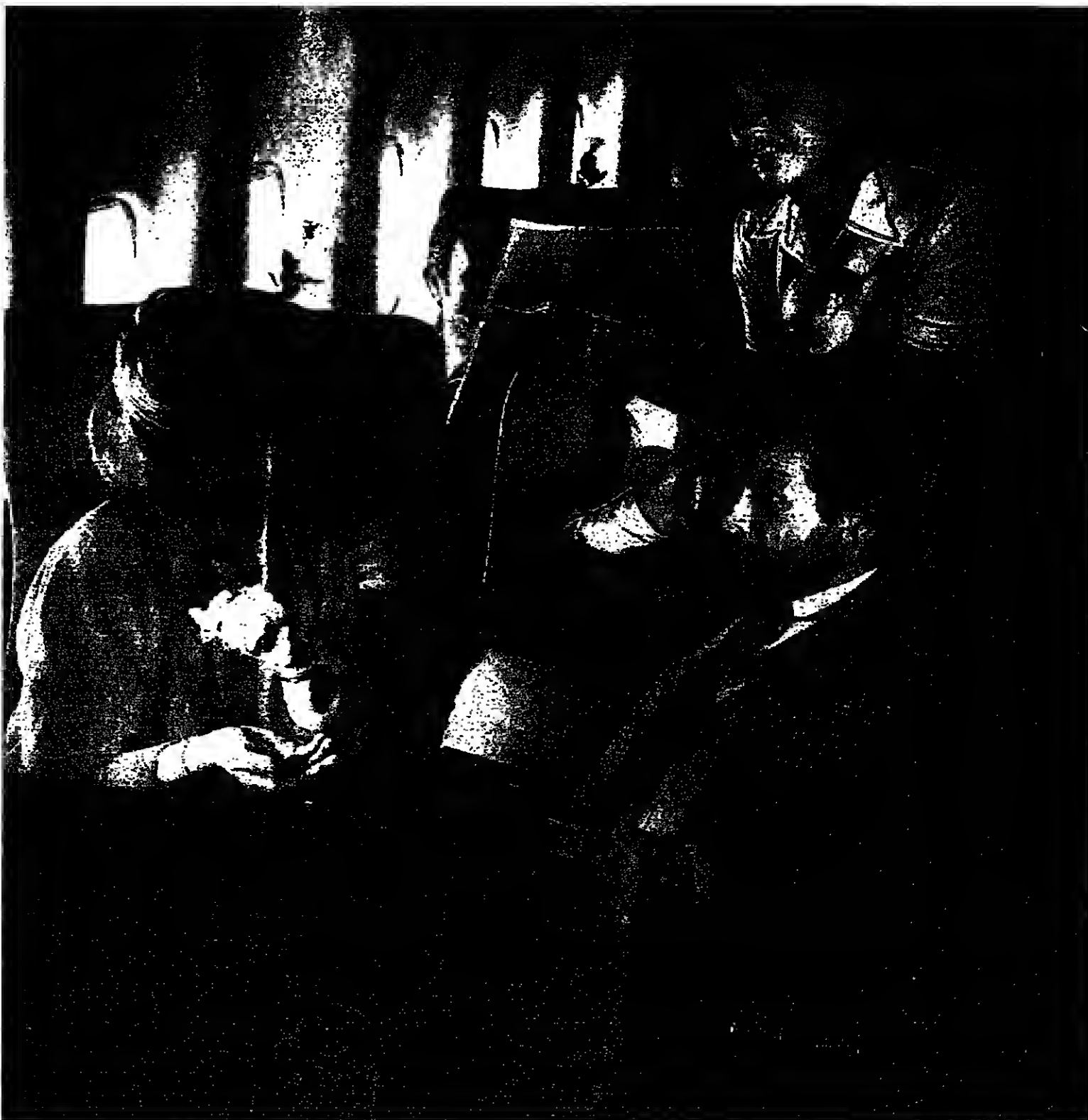
In the meantime, Cannon is involved in a rolling programme of refurbishing its existing cinemas. The company has just modernised its Hastings cinema at a cost of £750,000 and is now moving on to do the same to its cinema at Quinton, near Birmingham. Independent cinemas have been having a more difficult time but here too admissions are up.

Mr Brian Saunders of the Association of Independent Cinemas believes admissions overall are about 35 per cent up but attendances are very uneven, with people increasingly only going to see the big successful films.

"In the hills between big films things are really dreadful," Mr Saunders said.

## "With Lufthansa you even forget you're in the air."

This is an authentic passenger statement.







I require worldwide acceptance from my Card. And I get it.

As a Diners Club member, you'll be welcomed in over 150 countries worldwide. That means airlines, car rental offices and hotels—including all the major chains—plus shops and restaurants. And there is no pre-set limit to the amount you can spend. It all makes Diners Club, the world's first international charge card, one card you can always rely on.

No wonder discerning travellers like you enjoy the privileges and services of the Diners Club Card.

**DINERS CLUB INTERNATIONAL**  
DINERS MEANS BUSINESS



## UK NEWS

MP COMMITTEE SEEKS VETTING ROLE IN PRIVATISATION BILL

### Challenge over gas controls

BY IAN HARGREAVES AND DOMINIC LAWSON

A SERIES of challenges to the Government's plans for the regulation of British Gas when it joins the private sector are to be launched in the next few weeks.

The most significant intervention will come from the House of Commons all-party energy committee, which has decided that the regulation of the privatised gas company is so crucial that it should hold public hearings on the matter as soon as parliament returns from the summer recess.

In a highly unusual procedural move, the committee is also making a behind-the-scenes attempt to secure for itself the role of vetting the regulation aspects of the gas privatisation bill during the second reading of the Bill, which is expected to be in November or December.

The committee's move has irritated ministers, who believe that it will duplicate their workload in what is already an extremely tight timetable to ensure that the £5bn privatisation can take place during 1986, in time to release the funds needed to permit the Chancellor of the Exchequer to cut taxes before the next general election.

Mr Peter Walker, the Energy Secretary, is intent upon completing his own department's work on draft regulatory procedures for submission to Cabinet within the next two weeks.

Mr Walker, like Sir Denis Rookes, British Gas's chairman, is pressing for a minimal level of regulation. The two men believe that will both yield the maximum price for the shares when they are floated and give management the necessary freedom to run the business as they think fit.

Sir Denis, in an interview, said: "Things that are not regulated now

should not be regulated in the private sector. Regulation should be as light as possible and cover the smallest area. That is best for the customer."

Mr Walker's task will be to persuade his colleagues, a minority of whom believe that the Government is about to unleash a dangerously powerful private-sector monopoly, that this minimalist approach is correct. The key issues under debate on the regulatory question are:

● What type of performance target should British Gas be given as the basis against which its tariff applications should be measured? The options appear to be a financial return target; some kind of productivity measure or, more likely, a mixture of the two.

● What type of formula should be used, at least initially, to set tariffs? The preference is to follow the British Telecom model of using an inflation-linked indicator, but there is concern that the inflation index chosen should closely reflect movements in world oil prices, which in turn dictate British Gas's supply costs.

● Should regulation cover bulk industrial as well as domestic tariffs? British Gas is arguing that tight regulation is only relevant for the domestic sector.

● How rigid should the regulatory framework be? The predominant view at present is that it should be both simple and capable of amendment in the light of experience.

The Government, again following the Telecom model, does not intend to set out its plans for gas regulation in the privatisation bill itself, but to publish its intentions in the autumn, around the time the Bill is laid before parliament. The select committee, however, has asked for

written evidence on the subject by September, which may force the pace slightly.

Also in the autumn, the Government expects to set out its thinking on a number of other areas critical to British Gas's future.

Those concern the future government role in the import of foreign gas, which Mr Walker believes in principle should remain under government control on strategic grounds. Earlier this year, he vetoed British Gas's plan to buy \$30bn of gas from Norway's Sleipner field.

It is felt, however, that the Government's City advisers might bring pressure for more commercial freedom for British Gas in that area. The Government will also probably have to clarify its view on gas exports, which are at present effectively banned.

Another important issue to be resolved is the future of the gas levy, which is a special tax on British Gas applying to some of its lower-cost North Sea supplies. Mr Walker is thought to favour abolishing that tax, which raised £27m last year, on the ground that the City of London will not like the look of a company subject to special, penal rates of tax. The Treasury, however, has to be convinced that dropping the levy would result in an appropriate increase in British Gas's market value.

The shape of the privatisation Bill has also highlighted a number of difficulties including the extent to which competition should be fostered in the gas sector. It seems most likely that the preferred approach will be to retain the existing option for competitors to use the British Gas pipeline system to serve industrial customers, but that tariffs for the pipeline will be

monitored by the regulatory office. The Bill is also expected to restrict the maximum size of shareholding in order to deter predatory moves by the big oil companies. British Gas itself is now working flat out to enable the Government to meet its privatisation timetable.

Sir Denis said that, post privatisation, the corporation might branch out in a number of ways, using its showrooms, for example, to sell kitchenware.

A firmer plan, Sir Denis indicated, concerned the oil sector, from which British Gas was forced to withdraw last year when Enterprise Oil was created. "I shall build up a new oil business," said Sir Denis.

The National Gas Consumers' Council plans to issue a paper on regulation later this week. In its present newsletter, the council says it will be examining tariffs, safety, competition, conservation, supply policy and the regulator's role in monitoring complaints.

The Association for the Conservation of Energy is also preparing a detailed statement on regulation. In its present newsletter, the association says British Gas should be obliged to obtain a "certificate of convenience and necessity" from the regulator when it wants to make a big investment. British Gas could then be obliged to examine energy-saving investment as an alternative to spending to increase gas supplies.

The association also wants price-setting and investment hearings to be conducted in public. The regulator, it says, should have similar powers to the House of Commons energy committee to order the presentation of documents and people.

### Gencor in drive to recruit UK miners

BY GEORGE MILLING STANLEY

GENCOR, South Africa's second-largest mining group, has embarked on the most ambitious recruiting drive it has ever undertaken in the UK. The campaign includes advertisements in the popular press and visits by Gencor staff to all the coalfields in Britain.

The group, which has interests ranging from gold to platinum as well as coal, has two teams of interviewers in this country, and plans to recruit 400 qualified miners. The interest is mine supervisors, shot-

firers and electricians under the age of 40, according to Mr Keith McQueen, executive deputy chairman of the group's UK arm and the man in charge of recruitment.

A number of British miners departed for jobs in South Africa during the recent year-long coal strike, attracted more by the lifestyle rather than the pay on offer, which is probably no great improvement on what is available in Britain.

The present dissatisfaction among British miners at the contin-

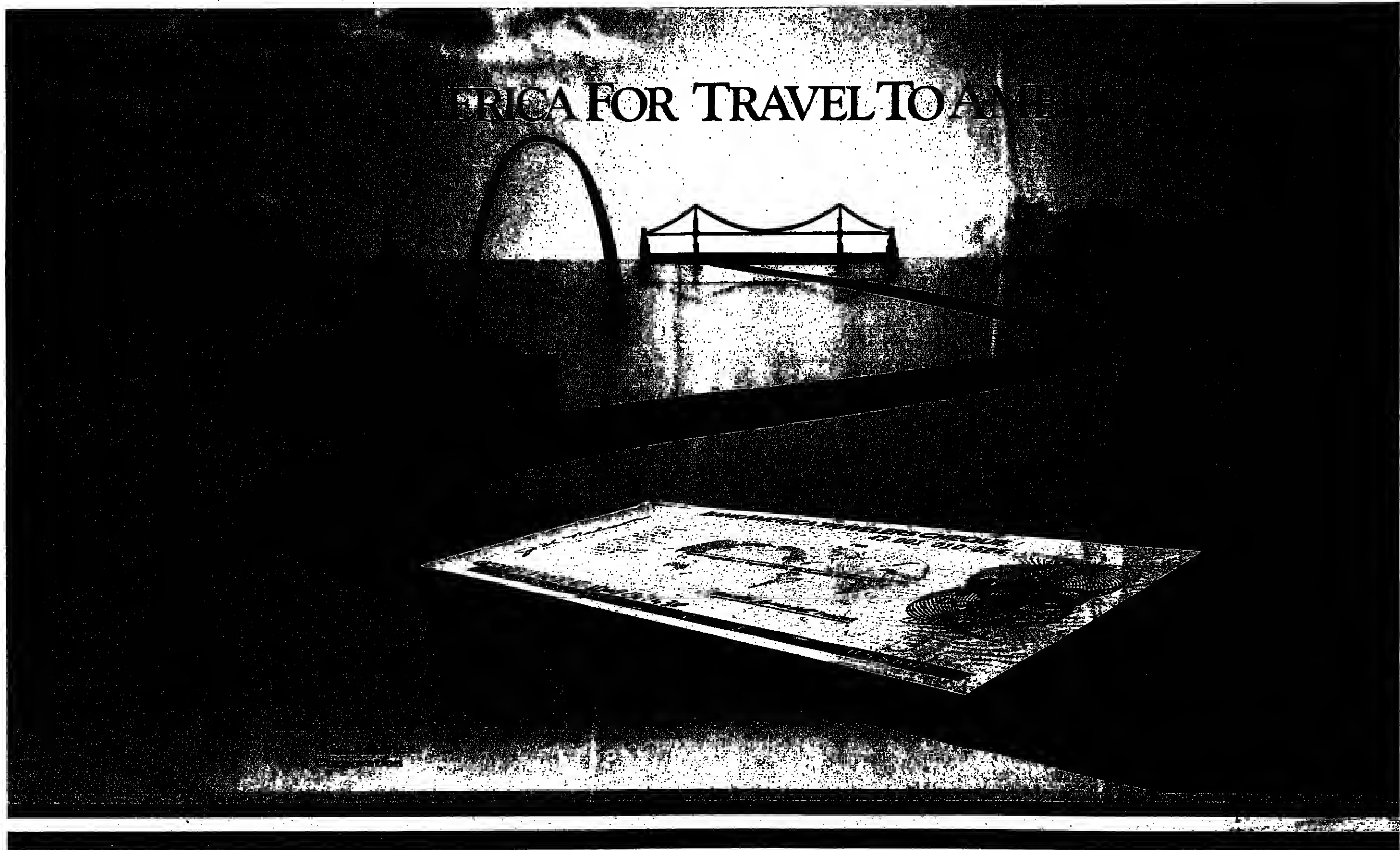
uation of the National Coal Board's programme of pit closures now that the strike is over is expected to make Gencor's task easier.

Mr McQueen said that Gencor had been recruiting in the UK since 1965, but he admitted that the group had been "beefing up" its efforts. That included placing advertisements in the Sun, Daily Mirror and Daily Express newspapers, backed up by a round of colliery visits.

Gencor stands virtually alone in

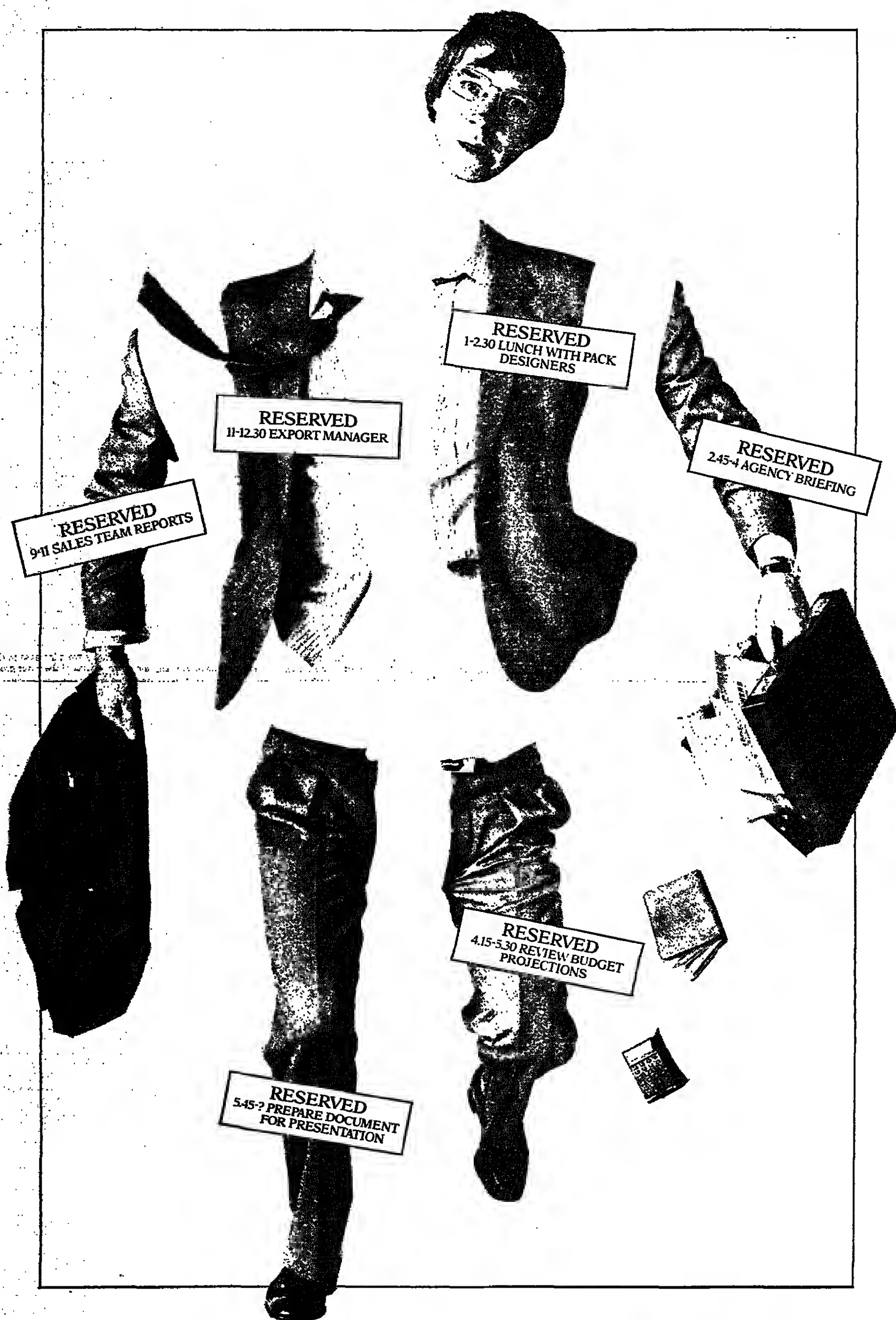
stepping up its recruitment drive at the moment. All the other big South African mining finance houses maintain a London presence, and some of those offices carry out a certain amount of recruitment in addition to their main functions in marketing and acting as London secretaries to service UK shareholders.

There is, however, no evidence of any great increase in the recruiting efforts of the other groups.





# Are you running the business, or is the business running you?



If the plight of our hard-pressed friend looks familiar, you have our sympathy.

But you'd be better off with one of our computers.

What all three have in common is the ability to make the most of a rare commodity. Your time to think.

Say, for instance, you're someone who has his best ideas away from the office.

Enter our T1100 portable, weighing in at 9lbs including a flat screen and floppy disk drive.

It's fully compatible with the IBM-PC so you can run all the leading business software.

Should you find yourself in the office with the odd moment to think, you'll get on famously with our T1500.

It's available with either two floppy, or one floppy and one hard disk drive.

And, again, it's entirely compatible with the IBM-PC.

The difference being, it won't make such a dent in the company's bank balance.

For the man who needs all the thinking time he can muster, we have our T350.

To call it a personal computer is a positive misnomer.

With the capacity of 1.2 MB floppy disk and 10 or 20 MB hard disk drives, it's capable of handling the company's business all by itself.

Thus leaving you more time to plan how the business should run.

As you may have gathered, we at Toshiba take efficiency very seriously.

Hence our introduction of not one but three computers that are strictly business.

Clip our coupon and we'll send you all the details.

You won't be wasting your time.

For more information send the coupon to: Toshiba UK Ltd (IPS Division), Toshiba House, Frimley, Camberley, Surrey GU16 5JJ, or dial 100 and ask for Freefone Toshiba.

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_

**TOSHIBA**  
**COMPUTERS**  
WE GIVE YOU MORE TIME TO THINK



**T1100** - Weight 9lbs - 16 bit - 256KB - Full compatibility with the IBM-PC - Built-in 720KB 3.5" FDD, flat LCD screen and graphics - 640 x 200 pixels - 80 characters x 25 lines - Centronics parallel interface - Options include external 3 1/2" or 5 1/4" FDD - 256KB memory expansion - Mono or colour display - RS232C serial interface - Printer



**T1500** - 128KB memory expandable to 640KB - Full compatibility with IBM-PC - Available with two 360KB FDDs or 360KB FDD/10MB HDD configuration - Built-in colour graphics - Centronics parallel interface - Options include memory expansion - RS232C serial interface - LCD mono colour displays



**T350** - 8086-2 7.5MHz processor - 256KB memory expandable to 512KB - 12MB FDD and 10 or 20MB HDD - Built-in mono graphics - 640 x 500 pixels - Centronics parallel and RS232C serial interfaces - Options include green or colour displays - Mouse kit

IBM-PC is a trademark of International Business Machines Corporation.

VISIT US AT THE 1985 PC USER SHOW 2ND-4TH JULY 1985 ON STANDS 88 TO 96.



## FT REGIONAL REPORT



York Minster, (before last year's fire ruined the south transept), is one of the world's largest Gothic cathedrals and a magnet for tourists



The historic image of York to visitors belies its strong, if narrow, industrial base which the city is trying to broaden



The Shambles, the medieval "Street of Butchers," where bistros and souvenir shops are now beginning to take over

## Sweet city selling something new

A DESIGNER-STYLE logo of the letter "Y" with the legend "Where History and Technology Meet" began to appear on promotional material for city of York last year. It was one of the tools chosen to highlight the creation of the North Yorkshire city's Economic Development Unit.

Creation of the unit recognised that in spite of an unemployment rate of little more than 10 per cent, York's employment structure is inherently vulnerable because 30 per cent of jobs are provided by only five companies.

The city also has something new to sell. After a long period with little land available, up to 170 acres are emerging on the market for industrial and commercial development at the former Clifton Moor airfield, just outside York in the Ryedale local authority area.

York is a working city (30 per cent of its housing is council-owned). Yet its reputation as an attractive centre is well justified, with three miles of medieval walls, the magnificent minster, a web of medieval streets with half-timbered houses and some 30 tourist attractions: the city is the biggest

focus for foreign visitors in the north of England.

It is a taxi-orientated city where difficulties in parking and cross-city travel generate an enormous cycling population. York has also preserved its still largely medieval, low-level skyline.

This attractiveness has bequeathed a unique image problem. People tend to think of York just as a tourist centre, rather than a city with big manufacturers and which could be suitable as a home for a variety of companies, town planners say. Yet only 8.5 per cent of jobs are in tourism.

The local economy is relatively low-paying, marked by a much larger percentage of working females than the national average. This partly reflects the influence of the confectionery industry (Rowntree, Mackintosh, Terry's and Craven) and that of white collar employment, which includes the administrative offices of Yorkshire General (part of General Accident).

Outside the local authority, and British Rail's offices, four companies dominate the jobs market, accounting for more than 65 per cent of manufacturing jobs: Rowntree, Terry's,



British Rail Engineering (BREL) and the Shepherd Building group. A clutch of medium-sized producers account for most of the rest of the non-service sector.

Closure last year of the Redfearn glass plant, involving eventual loss of 900 jobs, was a reminder of this vulnerability. It helped to push unemployment from 7.8 per cent in the summer of 1983 to 10.2 per cent today.

The share of unemployment among people under 20 has risen to more than a third of the total from less than a fifth five years ago.

"The closure of Redfearn woke people up to the city's reliance on a few big employers and the need to broaden the base," says Mr Tony Bennett, head of the development unit. Rowntree (which provides more than a third of manufacturing jobs) and Terry's have also been shedding labour through equipment modernisation and there are always long term worries about Brel.

"If employment came down by a tenth in all these big companies we have a real problem on our hands," Mr Bennett says. The unit is working for the benefit not only of York and its 100,000 inhabitants but also for what might be termed greater York, which stretches three miles from the city and encompasses a further 50,000.

Reflecting this, the unit was set up not only by York City Council but also by North Yorkshire County Council and three local authorities — Selby, Ryedale and Harrogate — whose boundaries adjoin to the city.

Planners are hoping the unit, together with the Vale of York Small Business Association (Visba) and the enterprise trust expected to be set up this summer will operate from one office, as a single force for the

city's businesses.

The city council can offer from its small pool of money up to 50 per cent of the cost of new equipment when job creation is involved.

No government-assisted area money is available but the city has other features to offer. One is the sheer life of the place, shown in the building of town houses at Aldwark within the city walls. Sainsbury's new store at Foss Bar and the Coppergate shopping and leisure development.

The university, providing a range of technical assistance to industry is another selling advantage.

Traffic congestion will also be relieved when the northern and western sections of the outer bypass are finished next year and the following year to complete the ring road.

The Clifton Moor development provides space for industry and distribution but the city also hopes that its attractiveness and social characteristics of female workers will encourage the growth of administration services and companies in high technology, so far little developed in the city.

Nick Garnett

## Diluting the big three

YORK'S employment structure, especially in manufacturing, is overwhelmingly dominated by a handful of companies making and trading in three principal sectors. This is a concentration the city would like to see diluted by new businesses.

York will become British Rail Engineering's fourth biggest site following the impending closure of the Swindon workshops. Employing 2,650, a figure scheduled to drop by 120 over two years, the York complex has escaped the deep cuts made by BREL in repair and manufacturing which have included the closure of Swindon, Durham, and Horwich, north of Manchester.

York is a multiple unit specialist and is building the class 150 sprinter, successor to the diesel multiple units, and the 445 and 317 electrical multiple units for suburban routes.

British Rail itself employs more than 4,500 in York, the home of Eastern Region headquarters and the national Golden Rail holiday package operation.

The rest of the engineering sector includes a few medium-sized companies. Armstrong Patents, part of the Armstrong Equipment group, employs 750 making car suspension components, steering and engine dampers and exhaust systems.

York is the headquarters of Vickers Instruments, employing 350. The main products are scientific instruments including systems - based

equipment for measuring such things as the fine lines on semiconductor wafers, and microscope-based tools for measuring optical fibres. The company also makes gun-sights and produces sighting systems for armoured vehicles.

The city has been a hub for confectionery makers for two centuries and is the home of two major companies, Rowntree Mackintosh and Terry's, as well as the smaller and more specialised Cravens.

## Industry

Rowntree, one of the UK's top chocolate producers, has a workforce of 6,500 in the city but this has been falling steadily. It has just completed the UK's largest computerised warehouse at a cost of £7m and is installing a £16m KitKat plant to be commissioned next year.

Output from York, which is the company's biggest production site, includes 24m KitKats a week and 1m tubes of Polo mints a day as well as Aeros, Smarties and Black Magic.

Terry's, now part of United Biscuits, employs 1,200. Its products include Chocolate Orange and All Gold.

Craven employs a quarter of this total and, while having a sizeable investment programme in new equipment, uses traditional methods

including the hot pans for its Original Sugared Almonds. It also makes own-label sweets for outlets like Marks & Spencer and Boots.

Shepherd, with a turnover of £130m, is one of the largest three privately-owned building groups in Britain. It spawned Portakabin in 1962 which, like its parent Shepherd, has its headquarters in York.

Shepherd employs half its 4,000 workforce in York, of which 670 work for Portakabin at Hamlington just outside the city. The company describes this as the best facility in Europe for producing production line factory-made instant accommodation.

Aside from the standard jack-leg cabins, Portakabin manufactures a range of products using methods learnt in its mainstream business. These include the Karmobile trailer units, building kits and YORKON permanent buildings using factory-engineered building techniques.

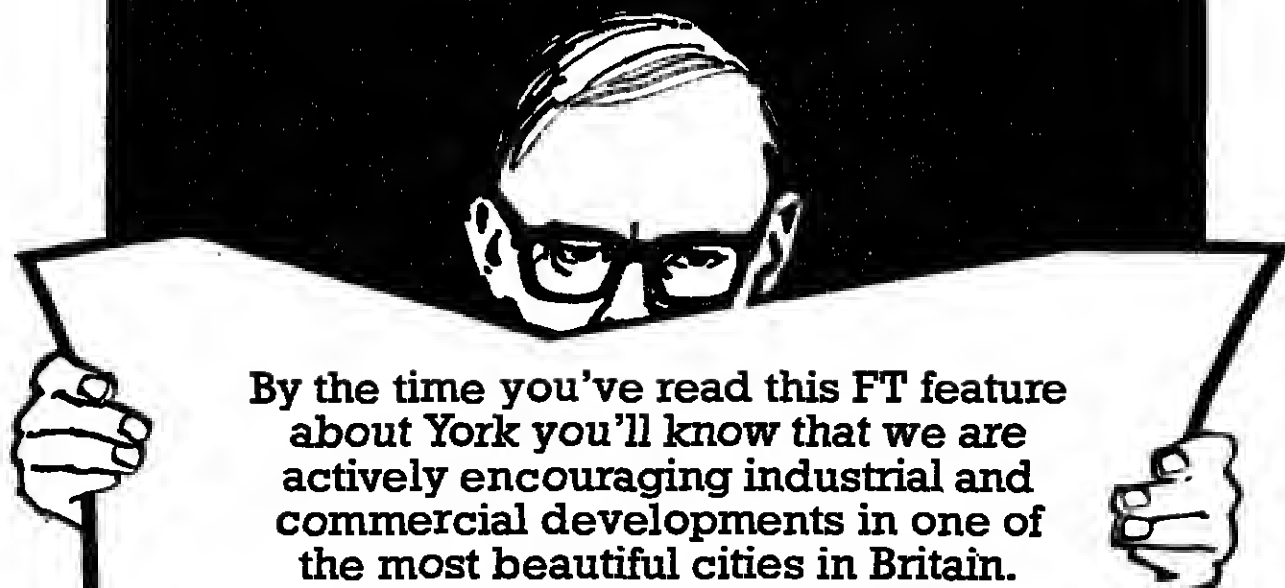
Ben Johnson, with 600 employees, is the biggest operation among a number of printing companies in York. It has spent £6.1m in equipment and building improvements in three years, including new printing presses two years ago.

Its output includes Yellow Pages, mail order catalogues, the Sunday Telegraph colour supplement and magazines like Options and House and Gardens.

N.G.

# YORK

*You've read the FT  
Now send for the facts*



By the time you've read this FT feature about York you'll know that we are actively encouraging industrial and commercial developments in one of the most beautiful cities in Britain.

Clip the coupon or call us on York (0904) 53655 and we'll send you a copy of our Fact File - which will tell you all the sound reasons why York should feature high on your list of potential locations.

Please send me a copy of the York Fact File

NAME \_\_\_\_\_

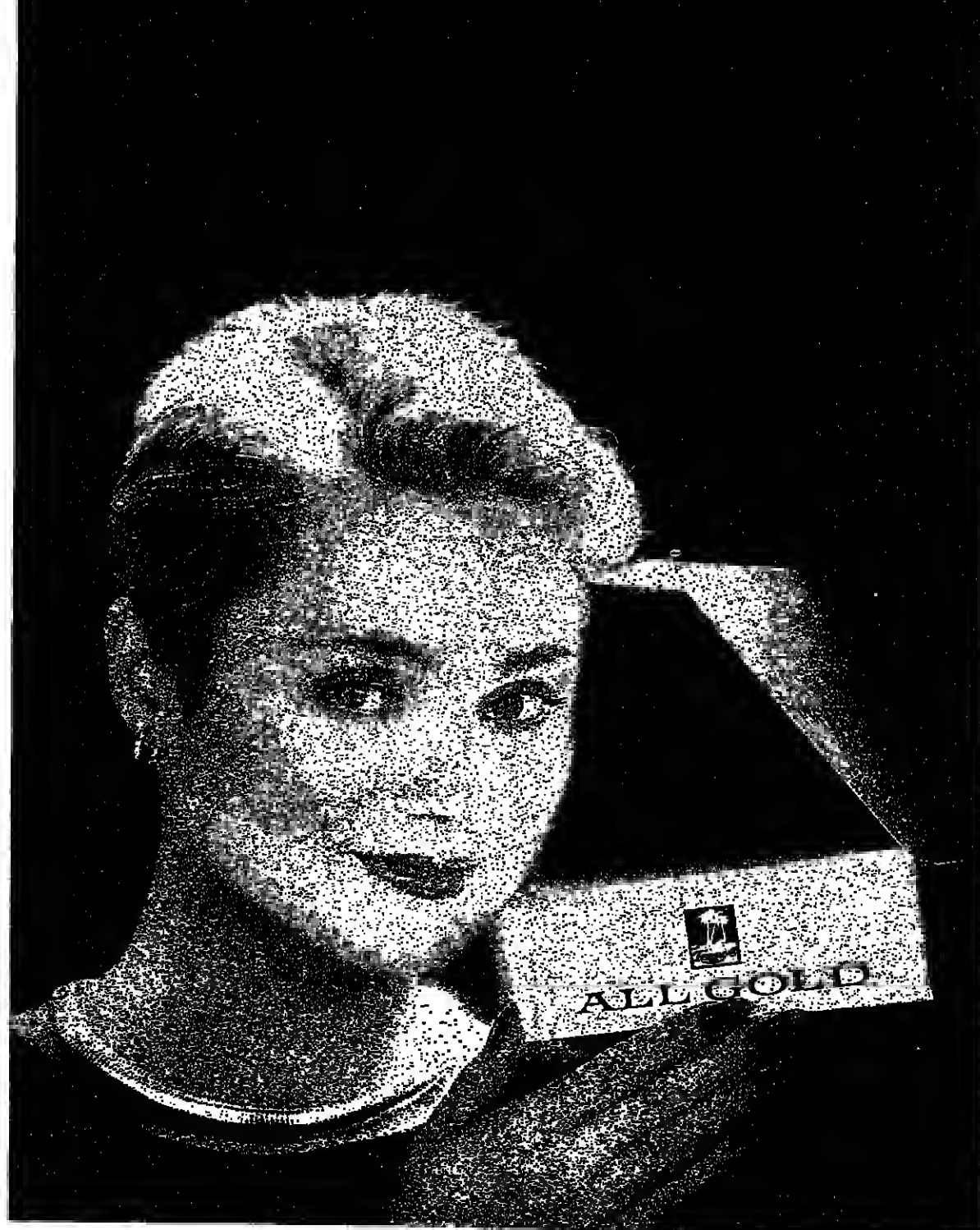
POSITION \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

TO: Tony Bennett  
York Area Economic Development Unit  
5 St. Leonard's Place · York YO1 2EX

No All Gold...no comment.





## 5 MONTHS FROM TODAY, DO YOU WANT A BUILDING READY TO USE...



### OR JUST SOME PLANS TO LOOK AT?

A YORKON building can be designed and constructed in the time it usually takes to get to contract stage with conventional construction.

It's a high quality, steel frame system that turns 90% of conventional on-site processes into production line operations, completed in controlled manufacturing conditions - whatever the weather.

It dramatically simplifies the planning phase, shrinks construction time to a matter of weeks, and gets quicker returns on your investment. Talking of money, YORKON can also cut building costs by up to 20%. And the price quoted will be the price you pay, including design fees and with no unforeseen 'extras'.

If you're about to embark on a building project and want to see results quickly, call Mark Feldon on York (0904) 36669 or return the coupon for an information pack.

To: Yorkon Building, Huntington, York YO3 9PT  
Please send me the YORKON information pack.

Name/Title \_\_\_\_\_  
Organisation \_\_\_\_\_  
Address \_\_\_\_\_  
Tel. \_\_\_\_\_

YORKON is a registered trade mark  
**YORKON**  
It's changing people's ideas about building

100

fingers  
a  
second

...all made in York

**IN THE LAST YEAR STANSFIELD COMMERCIAL INTRODUCED OVER £5 MILLION POUNDS OF INVESTMENT PROPERTY IN AND AROUND YORK TO MAJOR PENSION FUNDS... IF YOU ARE INTERESTED IN HIGH YIELDING INVESTMENT OR DEVELOPMENT PROPERTY CONTACT... PAUL STANSFIELD**

**Stansfield Commercial**  
Melrose House St. Sampson's Square York Tel: (0904) 55417

## Same-day delivery to the door-to and from London.

Same-day parcels delivery right to your customer's door anywhere in London. Or from London right to your door.

Another high-speed service from British Rail.

For more details contact your nearest Red Star parcels office or dial 100 and ask for Freecore 5441.



SMALL OFFICE AND INDUSTRIAL UNITS

**YORK CITY CENTRE**

available on short or long term Licence Agreement

MONTHLY HIRE FEE INCLUDES: Rates, Property maintenance, Insurance, 24-hour access and security of premises, etc.

You can't get a better deal in York!

THE RAYLOR CENTRE, JAMES STREET, YORK. TEL. YORK 414131

## Riding high on chocolate boom

THE CITY OF YORK is riding high on the back of a UK chocolate boom.

The British have for long been among the most sweet-toothed in the world but in each of the last three years they have managed their way through record amounts of chocolate.

At York, one of the three largest confectionery manufacturing centres in the UK, Rowntree Mackintosh and Terry's have shared in the general growth in the market. They have also benefited by increasing their strengths in confectionery (filled blocks of chocolate like Kit Kat, Aero and Caramel Orange bars) which constitute the largest and fastest growing sector of chocolate.

Cravens, the city's third confectionery maker, has thrived despite being in a sector, sugar confectionery, which was declining until sales began to rise again last year. Later this year it plans to start making chocolate for the first time in its 180-year history.

All three companies are increasing their turnover and profits and, although improved machinery and productivity have led to a reduction in their combined workforce in recent years, job losses have been far fewer than in other manufacturing industries.

Together the three employ about 7,000 people in York, more than 9 per cent of the workforce within a 2.5-mile radius of the city centre.

Rowntree Mackintosh, the product of a 1983 merger of Rowntree of York and Mackintosh of Halifax, will invest this year about £80m on improving building and equipment in its 23 operating companies around the world. Of this £14m has been earmarked for York.

### Confectionery

Projects include what the company claims to be the largest automated warehouse in the UK, which cost £7m to build and opened earlier this year. A new £16.75m Kit Kat factory, designed to help boost sales from a record £24m in 1984, will open next year.

The 4,000 staff at the York confectionery plant are responsible for all the company's UK production of Kit Kats, Aereos, Polo Mints and Black Magic. Altogether, about 46 per cent of all Rowntree Mackintosh chocolate products sold in Britain are either wholly made or finished in York.

The company, which last year made worldwide trading profits of £54m on combined turnover of £1.16bn, also has its group headquarters in York. This and various divisional headquarters provide work for around 1,500.

Terry's, part of United Biscuits since 1982, is in the middle of a multimillion pound investment programme spread over five years, which it hopes will enable it to maintain its workforce at about 1,200.

The company, which has no manufacturing plants outside York, says it is enjoying the most successful period in its 200-year history. Turnover is expected to exceed £75m this year following volume sales growth of 3 per cent, 7 per cent and 15 per cent in the last three years.

Terry's says the advances are in part due to innovations in packaging and advertising and to the development of new products. These include two confectionery - Chocolate Orange Bar, a variation of the 50 year old Chocolate Orange, and Bits - which together are estimated to be heading for sales this year of £15m.

Cravens has spent about £350,000 this year on improvements for its launch in October into chocolate manufacturing. This takes total investment in the plant over three years to £750,000, all of which has been generated from the profits of the privately owned company.

Cravens has had a chequered career, with its workforce ranging from 800 in 1968 to just 70 in the 1980s, but it is now expanding its premises for the fifth time since moving to its Canyotown factory on the outskirts of York in 1967.

The staff of 380, which expands by 100 in peak production periods before Christmas and Easter, produces around 5,800 tonnes of confectionery a year, 20 per cent of which are manufactured for companies such as Marks and Spencer, Selfridges and British Home Stores to sell under their own brand labels.

Mike Smith

## YORK 2



Rowntree Mackintosh employs 6,500 people at its headquarters in York and is spending £18m on a KitKat chocolate bar plant

## Focal point for North

AMBLING THROUGH York's network of winding medieval streets with their half-timbered houses it is not difficult to see why the city is the biggest focus for overseas visitors in the North of England.

With three miles of medieval walls and their four great Bars, 17 pre-reformation churches, the largest Gothic cathedral north of the Alps and more than 20 museums, historic buildings and purpose-built attractions within the walled area, York almost certainly ranks in Britain's top 10 centres for leisure spending.

For York this amounts to £44m a year. In the decade to 1984, the number of day and overnight visitors keen to sample the mix of Roman, Viking, medieval and Georgian characteristics in a city that has been both a great trading centre and a major religious stronghold, more than doubled to 2.6m.

Tourism, however, is not as big a contributor to the local economy as occasional visitors might think. Though officials put the total number of tourists in York at 7,000, studies by Dr Richard Barnett of the University of York's Department of Economics and Related Studies and by the city council put the figure at about 4,600.

While leisure spending is high, total spending on tourism, including business and conferences is little more than that of Leeds. To put it in perspective, visitors to Blackpool probably spend twice as much.

A problem for York's tourist industry is that the average length of stay for overnight visitors at three days is relatively short. Conference business is also quite small.

York has 170 approved hotels and guest houses and Crest is now building a new one but the town would benefit from more higher grade hotels. The volume of day trippers can result in a form of "people pollution" during the summer which tends to generate an anti-tourist feeling among some local citizens though this does not manifest itself in an overt way.

The Chamber of Commerce and Trade is in discussions at

the moment with the city council to improve performance in tourism with some chamber members looking for ways to spread the tourist "season" though this already tends to be longer in York than for some other comparable centres.

Nevertheless, York remains a gem of a place to visit and the tourists who come here are characterised by an eagerness to return having failed to see as much as they wanted on their initial trips. Its tourist profile is very similar to that of Bath or Edinburgh with one-third of the visitors who stay overnight coming from abroad. It also has broad appeal for different nationalities and age groups.

### Tourism

This has been underlined by recent expenditure, including that devoted to the Jorvik Viking centre in which visitors travel by "time car" through the sights, smells (both nice and disgusting) and the sounds of Viking York and which notched up almost 1m visitors in its first year of operation. The Friargate wax museum and the Georgian Fairfax House were both opened to the public last year.

York provides a few "participatory" attractions, including boat trips along the river Ouse as far as Bishopthorpe Palace (home of the Archbishop of York), guided so-called "ghost walks" through the city and regular meetings at the racetrack, the Mystery Plays, medieval religious plays originally performed by the city's ancient craft guilds and dating from 1340, come round every four years.

The strength of York's tourist industry rests on the array of buildings and remains bequeathed by a long and varied history stretching back to when the Romans set up their fortress at Eborac in AD 71.

The tale is told in the York story picture and slide show. The historic spread of buildings stretches from the 13th century York Minster which attracts over 2m visitors a year and under which, in the Undercroft the remains of the Roman

principia building and others can be seen, to the national railway museum. The latter, reflecting York's long association with railways that began with George Hudson the local 19th century rail baron is Britain's largest collection of railway engines and rolling stock. The museum houses some of the royal coaches, Queen Victoria's Saloon among them.

Much of the walking in the city is done along streets grafted onto the original Roman street plan. The two main Roman streets - Via Praetoria and Via Principalis - are now the picturesque Stonegate and Petergate, the Vikings bequeathing the suffix "gate" (street). Other notable streets are Castlegate, Goodramgate, Wharfedale and Peckers' Yard. The most famous and best preserved medieval street is the Shambles, once called Fishmongers meaning the street of butchers. Bistros have begun to make their rather tasteful appearance in the Shambles but the keen visitor might spot the open door into the house (and now chapel) of Margaret Clitheroe, killed in 1586 for hiding Jesuit priests.

The flavour of walking around York is further spiced for those who take the trouble to read its social history - the lives of the Romans and Vikings, the medieval persecution of Jews and the hanging of Dick Turpin in the city which was the birthplace of Guy Fawkes.

Among York's historic buildings, the most notable include Clifford's Tower, built in the 13th century on the same site as a wooden fortress constructed by William the Conqueror but burnt down in the anti-Jewish riots in 1190 when 150 Jews were slaughtered. Others are the Georgian assembly rooms, the Merchant Adventurers' and Merchant Taylors' halls and St William's Castle.

The castle museum incorporates some fascinating recreations of rooms and streets, including the Victorian Kirkstall, and the Yorkshire Museum of Archaeological and Geological Artefacts benefits from a lovely setting in the grounds of the ruined St Mary's Abbey.

Nick Garnett

## Action after a slow start

### New Technology

YORK was slow to start in the race to attract and set up companies based on new technology. It is now moving to make amends.

A recent report commissioned by the city council identified 46 companies within a six mile radius of the city centre in whose main business is in computing, electronics, biotechnology or related fields.

But of these, said industrial consultants Business Environment, only 10 are in the city. The rest are in the surrounding areas, many of which are in the process of being absorbed by the city.

York's early inactivity on new technology stems in part from its successes in other industries. Job creation was less important to it than other cities because unemployment was soaked up by its dominant employers and by the growth of tourism.

Tourism has also acted as a brake on industrial development in the past because of a feeling that large scale growth was incompatible with preserving the character of the city.

Mr Tony Bennett, head of the York Area Development Unit, says there is a new mood in the city. "York has woken up to new technology," he says. "We realise we cannot sit back and let things happen. We are sending out the message that land is available, we can help companies financially and we will react quickly to their needs."

Among the city's plans for broadening its industrial base is the establishment of a technology centre at a 53-acre employment park which will form part of a 170 acre Clifton industrial development scheme. The centre is intended to act as a focal point for and provide services to innovative companies which the city hopes to attract to the site.

Within the next two months the city will launch an enterprise trust whose primary functions will be to provide counselling for businesses and

administer an investment fund of at least £200,000 annually to assist the expansion and creation of companies. From the autumn the trust will be housed together with the Economic Development Unit and the Vale of York Small Business Association in a one-stop business centre which will also have conference facilities and exhibition areas to highlight business opportunities in the area.

Attempts to increase the skills of the city's workforce include the establishment last year of an Information Technology Centre where 16 to 17-year-olds are taught electronics, computing and office technology.

In another educational initiative the city last week launched a training and employment grant to complement grants already existing for equipment, rates relief and expansion of premises. Under the scheme employers will receive 30 per cent of a new employee's first year wages in exchange for releasing him or her for day or block release training courses. So far the scheme involves only 25 youngsters but the city is hoping for EEC funds to expand it next year.

York will also benefit from the creation earlier this year of Yortek, an association of high technology companies throughout North Yorkshire which aims to market the county's leading edge products, recruit scarce skilled staff and set up a training and education programme to develop talents locally.

Yortek recently announced a £130,000 research study to investigate how college training of new technology skills can be improved to match the needs of the industry. At the University of York

discussions are being held with neighbouring local authorities for the creation of a 13-acre science park to capitalise on the university's strengths in electronics, computing and biotechnology.

The park, which both the city council and the university hope will be established next year, would aim to provide premises both for spin-outs from university departments and for local companies which could benefit from the availability of the university's research facilities.

Of the 46 high technology companies in York, 16 are in computing, 11 in electronics and 12 in biotechnology and health care with the rest in a variety of sectors. The high technology companies' potential is demonstrated by their expansion plans. Business Environment found that 15 were considering taking on extra staff and 11 were either moving or were considering a move to larger premises.

M.S.

## The Home of

**B·U·I·L·D·I·N·G  
E·X·C·E·L·L·E·N·C·E**

York is the headquarters of SHEPHERD, a building company with a high reputation for its award winning work in Industry, Commerce, Health, Education, Public-Service, Housing & Leisure.

The company's in-house service includes:

- \* Site Acquisition
- \* Feasibility Studies
- \* Multi professional design
- \* Project management
- \* Engineering services
- \* Construction

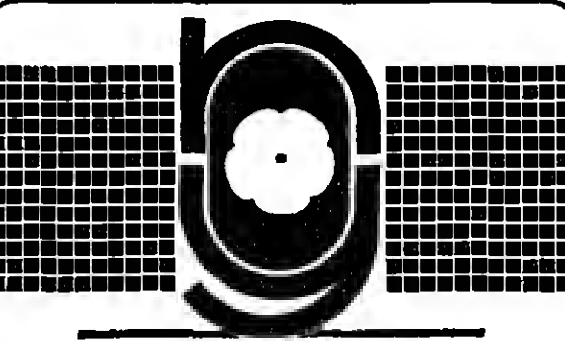
Whether your requirement is for new buildings, modernisation or refurbishment SHEPHERD can provide a formula which is precisely suited to your individual needs.

Contact Nicholas Shepherd on York (0904) 34431 or write for details to: Shepherd Construction Ltd, Frederick House, Fulford Road, York.



OFFICES AT CARLISLE, DARLINGTON, GRANTHAM, LEEDS, LONDON, MANCHESTER, NORTHAMPTON, RUGBY AND YORK.

**Shepherd**



YORTEK a unique association of hi-technology industries in North Yorkshire is helping to make the County one of the prime growth points for hi-tech.

Creating initiatives in marketing, finance, recruitment, training and general business development YORTEK's activities are inspired and designed with modern business growth as its objective.

Join us - Contact The Secretary YORTEK, c/o County Hall, Northallerton, North Yorkshire DL7 8AD Tel (0609) 3123.

Founder members: Dale Electric of Great Britain Ltd, Farnell Instruments Ltd, G.S.P.K. Ltd, Hazell Laboratories Europe Ltd, Multispec Ltd, Shoggy Engineering Ltd, John & E. Sturge Ltd, Bristol Telecom Group Plc, Vickers Instruments.

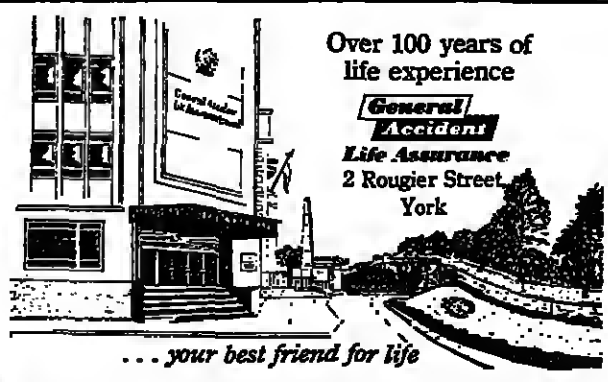
**NYCS**

North Yorkshire Co-operative Society Limited

**INVESTING IN YORK TO PROVIDE THE BEST MODERN SHOPPING FACILITIES.**

**Victoria House**

6 Micklegate, YORK. Telephone: 22052



Over 100 years of life experience

General Insurance

Accident

Life Assurance

2 Rousier Street, York

... your best friend for life

## UNIVERSITY OF YORK

### Applied Research and Service to Industry

We can offer contract research and consultancy expertise in:

- Addiction research: health economics.
- Biotechnology, genetics and biomolecular design; environmental resource management.
- Chemical and analytical services; surface and structure assessment.
- Computer software; design advice and prototype development for the man-machine interface.
- Electronic device design and development, EMC, spectrum engineering, data security, avionics.

Enquiries: Mr F. Unsworth, University of York, Heslington, York, YO1 5DD. Telephone (0904) 59861 ext. 227.



## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

U.S. steelmaking

## A new star appears in Bethlehem

Terry Dodsworth on a managerial revolution in a traditional industry.

THE JOHNSTOWN plant of the Bethlehem Steel Corporation is an unlikely setting for a managerial revolution. Tucked away in the green hills of Western Pennsylvania, the rusty 12-mile-long steelworks appears to be slipping into oblivion, as worn out as the iron mines which first brought industry to the valley. Yet it is here that Bethlehem has chosen to launch its first radical response to the challenges facing traditional U.S. steelmaking.

Last March, the company signed a new equity and profit-sharing contract with the United Steel Workers Union (USW) after a grueling six-month process of discussion and negotiation. The agreement will slash cash incomes by almost a quarter, reduce jobs by around 25 per cent to 2,200, and push through greater working flexibility on the shopfloor—a list of policies which have all been bitterly opposed by the tightly-organised steelworkers in the past.

But the plan is much more than a simple exercise in cost cutting. If it works properly, it will turn the group's bar, rod and wire division into an independently-run unit where the workforce will be more involved in both operations and the performance of the plant.

For a company like Bethlehem, long the second largest of the big U.S. steel groups, this is a dramatic break with the past. In their hey-day, the American steel-making leviathans were models of integrated systems, dedicated to the economies of large-scale production, and controlled by large, head office bureaucracies. Plants such as Johnstown had local union agreements, but the main contracts were negotiated centrally, and they worked to targets closely controlled by corporate headquarters.

A few years ago, Bethlehem began to shift gingerly away from these systems towards one that emphasised the importance of the individual operating unit and gave more responsibility to local management.

The new Johnstown structure is the most clear-cut example of this new direction. Bethlehem has given Johnstown the responsibility for running the



Ted Leja: introduced profit sharing

the previous 10 years, employees had seen the payroll progressively trimmed from well over 12,000, as Bethlehem rapidly ran down the operations in the valley, cutting out both the coke ovens and the blast furnaces from what had once been a fully integrated plant.

"In 1974 we lost \$72m, about 60 per cent of the corporation's losses," says Bill Shingler, one of the union negotiators. "They didn't know what to do."

The main points of the survival plan that has finally been negotiated by Leja include the following:

● Changes in the wages system have trimmed around \$3 off hourly cash earnings, bringing them down to around \$10.50 (or an estimated \$20 including benefits), in return for newly-created preference stock. The stock, which carries a \$25 face value, will not be traded and can only be collected on retirement, but dividends are theoretically payable on it.

In addition, the new contract provides for profit-sharing above a specific trigger point of profitability in the bar, rod and wire division.

"We used to have an incentive programme that was based on tons under the traditional steel agreements," says the French-born and nattily dressed Leja. "By introducing profit sharing, we have installed a system that is driven by efficiency and quality."

● Much more flexible working methods are being introduced, following the pattern in the non-unionised mini-mills, where the rigid demarcation rules normally applied in USW plants have been largely abandoned. Capacity has been maintained at roughly the same level as before, despite the sharp reduction in jobs.

Instead of waiting an hour for someone to come and wrench a bolt, the operator does it himself now," says Shingler.

● Leja has embarked on a big communications programme. Part of the process of selling the restructuring deal to the Johnstown workers was to organise plant visits to show them directly what was happening in the mini-mills, while also bringing them face to face with customers.



The main monitor and control centre of Bethlehem Steel's bar mill at Lackawanna, New York State.

"I came to the conclusion that the mini-mills had less fat and fewer people," says Shingler. These initiatives have been linked to a drive to create more shopfloor awareness of the industry through newsletters, video cassette programmes and joint labour-management participation teams. More than 20 teams have been created in the plant with the aim of improving working conditions and methods.

At the same time, a highly participative approach was adopted to push through restructuring. The Johnstown management started out by asking for cost reductions in the region of \$50m a year. The union took the main responsibility for finding these savings, first by looking for areas where jobs could be cut, and later through negotiating the reductions in the remuneration package.

At an early stage, Leja addressed the whole workforce to explain Johnstown's problems. Later on, the company opened up its books to union accountants to show just how badly Johnstown was faring—an unheard-of event in the steel industry.

"If it had been some of the other big steel companies around it would not have happened," says Ken Short, regional director for the USW. "The initiative to persuade the people and the workforce that something had to be done, had to come from the company, and they did a beautiful job."

Johnstown is now beginning to run much more like an independent business. Although it is still in loss, and its investment programme is being fully supported by Bethlehem, there

is a clear understanding that its own ability to make profits and generate cash are a vital element in maintaining the expenditure that will keep it competitive.

As part of this new, independent style, Leja is aiming to establish his own sales force. Salesmen will be hired off from the Bethlehem group offices around the country to work exclusively for the bar, rod and wire division.

It would be difficult to devise a more radical formula for change in the bar, rod and wire operations than the one encompassed in these four points. Johnstown is a town of strong traditions, handed down by the tight-knit immigrant communities whose influence is evident in the union cupolas of the Greek Orthodox church and the local copy of the campanile tower of Saint Mark's Square in Venice.

Industrially, the workforce has been bred in the same sense of tradition. For years the steelworks have been regarded as a way of life, and the conventional method of running them, with the union in one corner and the management in another, is the way most people wanted to keep it.

The legacy of this inheritance still lies heavily over the company. It is clearly difficult for many of the workers at Johnstown to accept that the old certainties have changed for good. Many of them, indeed, fought bitterly against the concessions. "Some of our members wanted to close down the plant as we would have done in the past, rather than give way," says Fran Audi, the leading shopfloor negotiator. Leja now faces the formidable

task of rebuilding morale among the workforce while adapting it to the new methods. There is no doubt that a great deal of suspicion remains. Many of the workers, for example, doubt that the preferred stock means anything more than the paper it is written on.

Since Bethlehem has no requirement to redeem it until retirement age, it is widely seen as a sophisticated device to bring about immediate salary cuts in return for a very vague future commitment.

There is also concern that management is not going fast enough to rebuild its market, or investing sufficiently in new plant, particularly in a continuous caster, which virtually everyone is advocating. One of the inherited problems of Johnstown, according to Audi, was injudicious price increases that seriously damaged the plant's market in 1983. Part of the rationale of the new deal, he argues, is to get wages down so that the pricing of the product becomes more competitive.

"All the company has to do now is to get us the volume that we negotiated for through the give backs," he says. "I they produce the volume, we can make profits again and become more competitive through modernisation."

This virtuous circle of profitability, new investment and expansion is precisely the message which Leja has been working on for the last six months. It is a tantalising prospect—and it is also one which will not be easy to realise. But the fact that Bethlehem is trying says a great deal about U.S. industry's capacity to adapt, and to adapt very quickly.



PLEASED with the success of its price-cutting promotion of the Mercedes 190S in the UK and notably at Heathrow airport in recent weeks Budget Rent A Car is extending the scheme. In 10 European countries Budget is now running similar programmes, eight of them with the Mercedes. Finland is offering special rates on the Volvo 700 and Denmark the BMW 518.

CLAIMING to be "greatly encouraged" by the success of its new Gatwick-New York route British Caledonian is to introduce a Boeing 747 Combi service to replace the present DC-10-30. The Boeing will carry 21 first class, 36 super executive and 192 economy seats as well as 40 tonnes of freight.

Recent International Hotels is spreading its wings in Europe. It has acquired and will manage the Hotel Brudenbachhof in Düsseldorf. Regent is a last growing Hong Kong-based, largely U.S.-financed hotel chain which operates the Dorchester in London. Its flagship is the Regent in Hong Kong.

The latest claimant to be "one of the premier properties for the travelling executive" in the U.S. capital, Washington, is the Westin. It formally opens its doors in October of this year. It stands on the edge of Rock Creek Park and claims to have the largest standard guest rooms in the city.

VISITORS to Hong Kong are now being offered the key for a day to one of the colony's exclusive clubs. Leisure facilities in clubs are difficult to find in Hong Kong, and for most clubs there is a long waiting list. Now the Clearwater Bay Club, which is managed by a Grand Metropolitan subsidiary, is offering visitor-day entrances. For HK\$150 visitors are collected from points in Kowloon and Hong Kong Island and taken to the club which has indoor and outdoor tennis courts, a

swimming pool, badminton and squash courts as well as a gold course. Lunch is included but there are charges for some of the sporting activities. Bookings can be made through the Hong Kong Tourist Association and can only be made by non-Hong Kong residents.

BRAZIL'S Horsa hotel group has strengthened its pitch for European conference and incentive business with the appointment of South American Travel as general sales agents in the UK. Seven Horsa hotels, including the National in Rio and the Excelsior in Sao Paulo, are now available by direct booking to South American Travel's London office.

A RANGE of free add-ons for business and first-class passengers is being offered by Continental Airlines on its route...from London...to Houston. First (Gold) Class passengers will be offered two nights free in a range of hotels and a free 48-hour rental of a midsize car from Budget. Business (Silver) Class customers get one night and 24-hour car rental.

BRITISH Airways has linked with Allport Travel and Fishley Selley Associates to produce a business travel package for China. Under the banner Your Bridge to China the £1,470 package offers a Super Club flight to Beijing and seven nights in the Great Wall Sheraton. The first class price is £2,999.

TAP Air Portugal is to introduce business class service on its flights from London to Madeira. Navigator Class customers will have separate check-in, a longer seat pitch, in-cabin hanging space and a bigger baggage allowance as well as improved cabin service.

THE British Airports Authority says it is examining the problem of selling newspapers at Heathrow's Terminal Three. At present passengers arriving on international flights—wanting to buy that morning's paper have to battle twice through massed greeting parties to reach the newsagent. However, Los Angeles airport caters even less well for its at the new Bradley international terminal can only buy a copy of the city from the departure lounge.

Arthur Sandles

# Bankers everywhere agree on who measures their performance best



## THE BANKER

There's no better guide to who's done what in the past year

The July Top 500 issue of the BANKER available at a Newsagent near you

I wish to take out a year's subscription, 12 issues, to The Banker at:

☐ £46.50 UK ☐ £65.00 Europe Airspeeded

☐ £80.00 Rest of World Airspeeded ☐ USA\$138 USA Airmail

☐ USS\$115 USA Airspeeded ☐ £100 Rest of World Airmail

☐ I enclose my cheque payable to FT Business Information Ltd

☐ Debit my credit card — tick choice

☐ Amex ☐ Diners ☐ Access ☐ Barclaycard Visa

Card No. \_\_\_\_\_

☐ Please invoice me/my company

MR/MRS/MISS \_\_\_\_\_

JOB TITLE \_\_\_\_\_ COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

POSTCODE \_\_\_\_\_

NATURE OF BUSINESS \_\_\_\_\_

COUNTRY \_\_\_\_\_

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

REGISTERED ADDRESS: BRIDGEMAN HOUSE, CANNON STREET, LONDON EC4A 4BT

This announcement appears as a matter of record only.

**WARTSILA**

**Oy WARTSILA Ab**

(Incorporated in the Republic of Finland with limited liability)

**U.S. \$100,000,000**

**Euronote Issuance Programme**

The undersigned are pleased to announce the commencement of the Programme for which they will act as Dealers

**Credit Suisse First Boston Limited**

**Enskilda Securities**

Skandinaviska Enskilda Limited

Co-Dealer  
**Union Bank of Finland Ltd**

Issuing and Paying Agent  
**Citibank, N.A.**

June 1985

# Along the M4, for your incentives

The highest level of Government incentives in the U.K. mainland are available here in the County of Mid Glamorgan. Cash grants, cheap loans, rent free periods in modern advance factories, training and relocation assistance, are some of the incentives available. For further details and free copies of our new Business Location and Financial Incentives Guides, return this coupon to the Industrial Development Unit, Mid Glamorgan County Council, Greyfriars Road, Cardiff CF1 3LG or phone 0222 280333 Extension 143, and ask about the closest "Development Area" to London, on the M4.

Name \_\_\_\_\_ Position \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Type of business \_\_\_\_\_

**Mid Glamorgan**





Architecture/Colin Amery

## First trade fair of brave new salesmen

It has been three years since architects were allowed to advertise, do their own public relations and generally act like salesmen. Since competitive tendering has also been possible, the very nature of their professional status has been transformed. It was inevitable that the next thing would be a trade fair where the whole range of architectural services could be on show, in an atmosphere of competition. For three days last week, in the Barbican Centre's dreary exhibition halls, the first trade fair of British architects was held under the title of ARCHITEX '85.

It was opened by the property developer Mr Peter Palumbo who made a speech testing the water for the speeding up of planning procedures. He had some interesting ideas. One was that a new body should be created "to act as a guardian of architecture and give it special exemptions from planning control. Developers genuinely interested in innovation or architectural excellence would seek the shelter of this body, which would negotiate and advise as necessary."

What is he after? Some form of ultra high-powered Royal Fine Art Commission that would somehow manage to give completely impartial advice, design and never be corrupted by political or development pressures? This is asking a great deal from anyone and it is doubtful whether such a paragon of austere dedication exists or indeed whether any more committees of taste are needed.

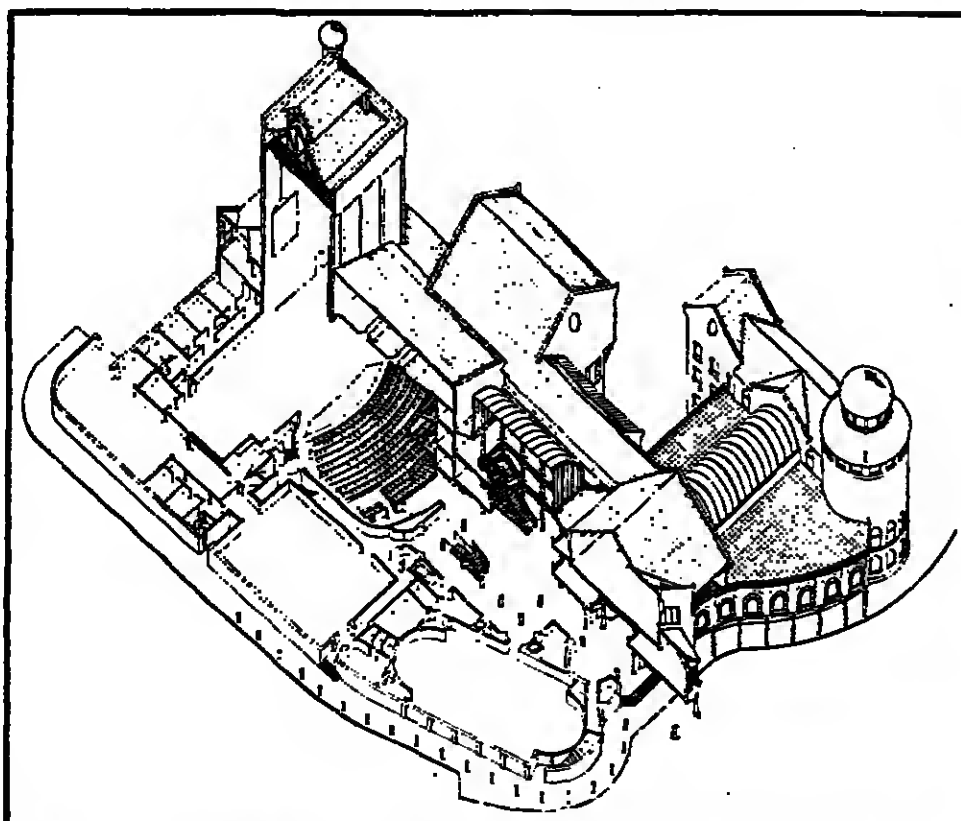
I feel that Mr Palumbo would like to see town planning revert to its traditional preoccupations—concern for health, safety and sewers—leaving aesthetic matters to some elevated court of divine perfection. He made another proposal designed to stimulate the development industry—that all buildings over 60 years old should be subject to a death sentence and be automatically demolished unless some dispensation was made in the public

interest. This bizarre notion should be treated with the contempt it deserves. All it reveals is a devotion to the throw-away society.

The exhibition soon recovered from this muddled polemic and was a success in several ways. It showed that architects are coming in terms, however reluctantly, with the need to promote themselves. Some of the younger firms did so with considerable panache: McColl Architects, John Simpson and Partners, Yakely Associates, Bissett MacDonald Associates, D'Arcy Place, Omranis. All showed work of considerable skill and had designed effective stands.

The general picture, however, was not so encouraging. If the first Barbican architectural show represents the average level of British practice then it is a confusing and muddled mixed bag. It was significant that the Royal Institute of British Architects was only prominent by its absence. A perfect opportunity for its clients' advisory service to mount a stand was missed. It was revealing to see how much work is being done abroad by British firms and how the oil boom has been supporting much of British commercial practice.

Omranis were showing one of the most fascinating complexes they had built in the Middle East. This is to be completed later this year, a magnificent walled enclave that looks like the great fortress at Aleppo. Inside, the diplo-mat's headquarters are defended by swimming and sipping time juice in the oasis. The tops of the encircling walls are a breezy walkway with views into the lush and watered interior of the club's garden. Centile structures are stretched from the walls to resemble the Bedouin settlements that attach themselves to the walls of old desert towns. It will undoubtedly become one of the sights of Saudi Arabia.



Cutaway of the proposals by Roderick Ham and Partners for an arts centre for the London Borough of Harrow.

under the umbrella of a local Kuwaiti consortium, the \$260m Islamic Conference Centre to be completed by August 1986. It is by any standards a massive complex which has to include accommodation for 46 heads of state and their entourages in 108 luxury apartments.

Eighty per cent of the tender drawings for this project were produced by computer and there was a great deal of talking about "fast-track" construction management around this firm's stand.

Let no one tell you that architects are starving for lack of work. Building Design Partnership (BDP) currently has over £1m worth of construction work on its drawing boards. It

has some 15 retail and town centre developments in the UK alone. BDP's remarkable success comes about as a result of the service it offers that merges all the professions concerned with building and design under one roof. The integrated practice has a clear and direct benefit for the client.

"Design for Building" is a new company that has grown under the wing of the distinguished practice of Denys Lasdun Redhouse and Soffley to provide a service that is specifically geared to the smaller project. This is an interesting development that should attract clients who need architectural help at the domestic or small business level.

I was glad to see the work of Roderick Ham and Partners, one of the best of the British theatre architects and clearly branching out. The design for the projected arts centre at Harrow is interesting, intricate and intelligent in its planning for a variety of uses from public library to theatre.

There is a danger in these sorts of shows that one firm of architect's drawings will often begin to look like another and then the risk of mad novelty for the wrong reasons takes over. As a shop window it was patchy, but it was a refreshing change from shows that are officially sponsored by the RIBA, and it demonstrated that competition in public — is no bad thing.

Schubertiade/Hohenems, Austria

Rodney Milnes

Few composers get or indeed deserve a festival devoted exclusively to their own music. Wagner, of course, but then purely physically his works leave no time for anything else. But there is more than Mozart at Salzburg, more than Britten at Aldeburgh. There is more than Schubert at Hohenems — Schumann, Mahler, Wolf, even some Brahms — just a little but quite enough to put his genius in a perspective that is not altogether flattering to the competition.

Schumann's remarks about the "maldenly" and the "masculline" in Schubert's piano trios rebound forcefully when the former's songs are heard after generous doses of the latter's, and it becomes plain that Schubert wrote most of Mahler's songs long before Mahler did — and—don't quote me—anticipated some of his heavenly loquacious. No, that is not true: Schubert worked on a different time-scale, as different as Brahms' from that of ordinary mortals, and the lesson learned from a week's concentrated Schubertiana is that had all his works been known at his death, then no other German composer would have dared, or needed, to write another bar of music for the rest of the century. His imagination in matters of form, harmony and melos leapt forward over the decades.

Such hyperbole is the near inevitable result of a week at Hohenems — now in its 10th year — where, in the hall or courtyard of an unpretentious little renaissance palace in the Vorarlberg, chamber music and songs are heard in ideal surroundings. The hall holds 300, the courtyard a handful more; there is an air of intimacy, of immediacy of communication and the Berlin Philharmonic, a young new bourgeois audience for whom Schubert was writing — though many of the Hohenems visitors would not care to

be so described. Nevertheless, a near-familial atmosphere prevails, united in common (again, scarcely the most jolly) cause.

There was much music-making of the highest order in the middle week of this year's exceptionally well planned 12-day programme, some of it revelatory. The Hagen Quartet, for instance, has not (I think) been heard in Britain though it has been praised in these pages by Dominic Gill. The combined ages of the players look to be little more than 60, yet with the tone of Mischka Seasky they brought to the C-major Quintet a shattering maturity of vision and a unanimity of purpose confirmed by the way that they looked at each other far more than at the music. I have seldom heard quartet-playing of such technical perfection, and never, in this work, so furious an articulation of resentment at the limitations of the human condition.

Equally impressive though less unsettling were the B-flat Piano Trio and the Trout played by Wolfgang Sawallisch and members of the Brandis Quartet. Across the normally impressive features of the director of the Bavarian State Opera there flitted a smile of the purest pleasure at the essential part of the less tormented Schubert (if there be such a person) and his brisk, nonsense playing kept works that can meander and purposeless and properly impulsive. The opening movement of the Trout, for once, was a genuine allegro vivace, not the usual oleaginous offbeat, and the gain was immeasurable.

And what pleasure, too, to hear Sabine Meyer, the clarinetist known here mainly as the innocent object of a cause célèbre between Karajan and the Berlin Philharmonic. She is a quite outstanding musician, heard here with Ely Ameling in "The Shepherd on the Rock" and as a dominating

presence in a performance of the Octet that also featured the young Manuel Fischer-Dieskau on cello and the horn player Radovan Vlatkovic, both very fine indeed.

On the song front the names of Janet Baker, Ely Tadmor, Peter Schreier and Dietrich Fischer-Dieskau bear witness to the general standard of the Schubertiade. That there are problems with Dieskau (performing in a large and untidy hall down the road in Feldkirch) at this stage of his career cannot be denied. The less reliable his voice (his singing of the Schumann Liederkreis was frankly dreadful) the more he resorts to interpretation; this is not just a matter of the "off-the-note" colouring of certain words and the over-sung sforzandos and subtle pianos, but of his "acting" each song, including the postlude, as though it were a little opera. To sterner Anglo-Saxon souls this is surely entertaining, but his German-speaking audiences plainly love it.

The contrast with Miss Ameling, who sings like an angel and does precisely nothing, or with Mr Schreier, whose superb "Winterreise" was compromised only by a brand-new "authentic" fortepiano and whose sparing gestures motivated solely by musical feeling, could not be more marked. Or indeed with Dame Janet, whose occasionally half-raised left arm is almost as expressive as her voice. She was at her very best in the harrowing programme of the darker songs, and whereas Dieskau one was conscious of listening to the Greatest Lieder Singer of the Age, Dame Janet was the medium through whom one human being was speaking directly to others across the chasm of decades past. Seldom has the art that conceals art been so cogently employed.

Ma and Stott/Elizabeth Hall

Max Loppert

At Friday's recital — one of the closing episodes of the Previn Music Festival — Yo Ma and Kathryn Stott introduced to London their newly formed cello-and-piano partnership. For the occasion they had meticulously prepared an attractive programme — to attend a concert in which chamber music genuinely deserves the name, and of which the execution is thorough, so finely considered and balanced, is perhaps a rarer event in London than one likes to imagine.

All the same, it is a partnership that on this first showing must be deemed highly promising rather than fully successful. Mr Ma is a cellist of exquisite

refinement and musical sensibility, with the protean technique that supports his every fancy; but in the earlier part of the evening it seemed that ideally he requires a piano partner of sterner cast to steer his delicate nuances well clear of the charge of ecstacy. Miss Stott is not such a pianist: she cultivates a soft, rounded style, and a downy touch. The opening work, Beethoven's "Bei Männern", variations, was a string of pearls on a very high rhythmic thread — too light to catch the charm of the invention. The Schubert Arpeggione Sonata, similarly given, becomes rather trying.

In between, the cellist showed, in George Crumb's

early (1955), Spanish-accented, and most skillfully confected solo sonata, that alone he is capable of stronger stuff when urged to be. And in the second half, both players were put more consistently on their mettle by the more substantial of the Brahms D minor Violin Sonata, Op. 108. It is a brave idea that cannot wholly be brought off, for the cello reduces by an octave the special melancholy-romantic character of the high-lying violin phrases (this was most noticeable in the third movement). But it was delivered with commitment, excitement, and even exuberance — thus finally exhibiting the qualities of the partnership at their most complete.

Turandot/Barbican Hall

Richard Fairman

The stage was full to bursting for this concert performance of Puccini's Turandot on Friday night. The Barbican concert hall was not really designed for large-scale pieces and there are few seats on a larger scale than this one. The chorus filled the back of the stage, an extra brass band squeezed on to the left-hand corner, and ranks of gongs and bells took the right. While the children's chorus was ferried on and off as needed. To supply the right number of performers the Chelsea Opera Group and Abbey Opera combined forces for their first production. Chelsea Opera Group provided the main body of the orchestra, who tackled Puccini's score with energy and attack; Abbey Opera supplied the vocalists. Anthony Shelley, whose usual theatrical sense kept the performance

alive with interest. And they came to the stage, for whose woolly singing they can presumably take equal blame.

For the most part a sturdy, verismo evening was promised — and this one, the chorus filled the back of the stage, an extra brass band squeezed on to the left-hand corner, and ranks of gongs and bells took the right. While the children's chorus was ferried on and off as needed. To supply the right number of performers the Chelsea Opera Group and Abbey Opera combined forces for their first production. Chelsea Opera Group provided the main body of the orchestra, who tackled Puccini's score with energy and attack; Abbey Opera supplied the vocalists. Anthony Shelley, whose usual theatrical sense kept the performance

with a fine, ardent lyricism. Amanda Thorne was the affecting Liu, a nice balance of Puccini's warmth and fragility. In addition, the performance should have offered a second opportunity — the first was at the Barbican a couple of years ago — to evaluate Alfano's slightly different, original ending to the opera. But at this point Treleven stopped the orchestra and announced a (wholly unexpected) indisposition. After a brief pause the performance resumed and he carried on singing with a glass of water in his hand and a frog in his throat. From there to the end most of the tenor's music was taken down an octave and the opera's spell was broken. The audience had just one compensation: Tinsley's fine-lying violin phrases (not in the usual version) were stupendous.

Previn/Festival Hall

Richard Fairman

With this Saturday concert — the final programme in the André Previn music festival, also repeated on Sunday evening — the Royal Philharmonic Orchestra seal the seal of a special relationship with their new music director. In two weeks Previn has directed eight concerts and been soloist, accompanist and composer. He must enjoy the hard work; dates are already booked for another festival at the same time next year.

The main work in the programme was Brahms' German Requiem. This is a piece Previn used repeatedly in his days with the LSO and it will be interesting to know how he finds his new orchestra compares. For sound quality, at least, one suspects he has profited by the hard work; the RPO strings opened "Selig sind" with an ideal warmth and homogeneity of texture, qualities that were to serve Brahms well for the rest of the evening. In the hands of a Furtwängler this Requiem can seem grand and portentous. But Previn's way with the music keeps the pulse flowing more easily, allowing chorus and soloists to shape Brahms' generously long phrases with ample breath. Tempi were sensibly chosen: "Denn alles Fleisch" kept moving forward (though others have made the strings' march-like dotted rhythms more sinister) and the last trumpet chorus was steady, not frenetic.

In Thomas Allen he has also found a baritone well suited to the work. Though the first of his two solos lacked presence, Allen sang at home in the vocal range of both and the second was vitally, movingly communicated. One might have hoped the same of the soprano Lucia Popp, but she looked — and certainly sounded — as if she was feeling the heat. Her solo was hard work with a lot of flat singing. The Brighton Festival Chorus was well rehearsed but is in need of more tenors.

In a first half Previn had joined a chamber-sized RPO as soloist and conductor in Mozart's Piano Concerto No. 17 in G. Television cameras were recording this work for the BBC and there was evidence of thorough preparation on the part of the orchestra with well-defined rhythms from the strings and first-rate solos from the woodwind. Previn's contribution was raw and lyrical, an equal partner in music-making, as the RPO no doubt trust he will be for them in the future.

Edward Burra at the Hayward

A major exhibition of the work of Edward Burra is being presented by the Arts Council, at the Hayward Gallery from August 1 to September 29, after which it will visit Southampton, Leeds and Norwich.

This is the first comprehensive exhibition of Burra's work since his death in 1976 and some of the paintings and drawings are being shown for the first time.

Cheapside/Croydon Warehouse

Michael Coveney

Since its grant was axed by the Arts Council, the Croydon Warehouse has supplied the West End with *Figaro* and improved its amenities (pleasant new bar and staircase) thanks to increased support from the GLG and Croydon Council. Survival now depends on commercial sponsorship and, once the GLG has gone, continued local favour.

The Warehouse deserves to flourish: it is handy for central London yet attractive to local audiences less than struck on what the Fairfield Halls have to offer round the corner. And the auditorium has a genuine atmosphere under its splendid roof of beams and rafters, an asset ideal for David Allen's play about Robert Greene, Marlowe and Shakespeare in the London streets of 1592. Michael Pavlek's design includes a hint of Hollar engraving in the skyline, with atmospherically lit platforms representing the Rose Theatre, Greene's squalid lodgings, Newgate and Tyburn, a hostelry where the pipe-smoking Mary Frith (Middleton's roaring girl

Moll Cutpurse) is discovered throwing darts and unravelling the activities of the Walsingham spy ring.

Mr Allen really takes on almost too much in this area rich with imaginative possibilities. His central figure is Greene, the disillusioned and dissolute pamphleteer first seen railing against the upstart court from Stratford who is heard conducting offstage rehearsals of *Henry VI* with Lord Strange's Men.

It was the success of that "documentary" crap as Greene, the John Osborne of Elizabethan Cheapside, here terms it that finished him off as a playwright. Marlowe breezes on to be met with a flurry of anachronistic abuse and a speech about the dangers of collaboration. Greene had taken a line from *Henry VI* to warn his contemporaries of a player's hide in his Groaty-worth of wit. Mr Allen elaborates upon Greene's gnawing jealousy with lyrical echoes of his one reasonably successful play, *Frier Bacon and Frier Bungion* (Prince Edward's speeches in praise of the fair maid of Fressingfield).

James Bolam paints a fine incoherent portrait of the university-educated saddler's son from Norwich, drinking his last days away while the sun rises over the career of the simple, unassuming, Stratford jobbing actor. With the Span-

ish spy plot thrown in and Greene himself succumbing to write "seditious rubbish" about the Dutch while failing to support his wife and estate in Norfolk, we have here a sort of weak brew mix of Shaffer's *Amadeus* and Bond's *Bingo*.

Mr Allen's historical distortions are few and telling: Marlowe's death comes forward a year; Greene's notorious low-life associate Cutting Ball is vigorously transformed by Jeffrey Kisson into a lip-smacking reveller in theatrical excesses which include his own hanging at Tyburn; Ball's sister Alice becomes his half-sister because of his own colonial origins.

Ted Graig's distinguished cast also includes Susan Tracy as the trio of Greene's wife, his mistress and Mary Frith, and John Moreno doubling as an effete, minimally diabolic Marlowe and the insensitive, comically distracted Shakespeare calling on the incensed Greene to pick up "a few tips on Italy" for his background material to a little tragic romance he's toying with. By the end of the year Greene was dead, the theatres closed, Shakespeare a pick-up "a few tips on Italy" for his background material to a little tragic romance he's toying with. By the end of the year Greene was dead, the theatres closed, Shakespeare a pick-up "a few tips on Italy" for his background material to a little tragic romance he's toying with. By the end of the year Greene was dead, the theatres closed, Shakespeare a pick-up "a few tips on Italy" for his background material to a little tragic romance he's toying with.

## Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Music

## ITALY

Venezia, Piazza del Signori: Mahler's symphony no. 9 conducted by Edoardo Gatti with the Orchestra of La Fenice (Tue), (37023).

Spoleto, Teatro Carlo Melazzi: Midday concert every day until end of festival on July 14, (39229 or 40255).

Rome, Chiesa di S. Apollinare: Each organ recital by Giancarlo Parodi (Mon), also in Granada Music Festival, at Auditorio Manuel de Falla. Piano concert by Hugh Tinsley: Beethoven, Albeniz, Scriabin, Chopin, Liszt (Tue), Luis Claret (Wed), Bach Suites (Wed), (23201).

## NETHERLANDS

Amsterdam, Concertgebouw: Pierre-Alain Volodant performs with the Amsterdam Philharmonic conducted by Mihai Tang. Mozart, Liszt, Stravinsky (Tue), (718343).

## VIENNA

Vienna Symphony Orchestra conducted by György Lehel with Ernst Kovacic, violin. Handel, Scherzino and Beethoven. (Tue), Arkadenhof.

Vienna Symphony Orchestra conducted by Hiroaki Iwaki with Walter

## SPAIN

Granada, Patio de los Arrayanes, Alhambra Palace: Soprano Jessye Norman in songs by Brahms, Wagner, Havel and Richard Strauss to Richard Nunn's piano accompaniment (Mon); also in Granada Music Festival, at Auditorio Manuel de Falla. Piano concert by Hugh Tinsley: Beethoven, Albeniz, Scriabin, Chopin, Liszt (Tue), Luis Claret (Wed), Bach Suites (Wed), (23201).

## NEW YORK

The Kings Singers (Tanglewood): Fugues, madrigals and Jerome Kern figure in the group's repertory hit dramatic. (Wed), Lenox, Mass. (413 8371940).

## WASHINGTON

National Symphony conductor Leonard Bernstein. Traditional free concert on the grounds of the Capitol. Mixed programme includes Bernstein: An American Songfest, played by a sextet led by the composer.

## June 28-July 4

## CHICAGO

Revival Festival (Highland Park): The 30th anniversary season includes a variety of programmes and performers starting its opening week with the LaSalle Quartet in a programme honouring the centenary of Alban Berg's birth. (738 4822).

## HOLLYWOOD

Hollywood Bowl: Oregon Bach Festival Orchestra and Chorus conducted by Raimund Kulling. Bach St. Matthew Passion (Tue), Bach B Minor Mass (Wed).

## LONDON

Nathan Milstein, violin and Georges Pludermacher, piano. Bach, Brahms, Paganini and others. Royal Festival Hall (Mon), (823 3191).

London Symphony Orchestra conducted by Neville Martinson with John Browning, piano. Verdi, Mozart and Rachmaninov. Barbican Hall (Tue), (638 8881).

Ronnie Scott's, Friar Street: Joe Pass, guitar. Also Ronnie Scott's quintet. (539 0747).

Saleroom/Antony Thorncroft

Of strings and things

A "golden period" violin by Antonio Stradivari is the highlight of Sotheby's sales this week. Made in Cremona in 1719 it is known as a "c-haut" after a previous owner. It is being sold by a professional musician and should make over £200,000 — although two weeks ago another Strad was bought in at Sotheby's New York; but, dating from 1672, it was hardly golden.

In the same Thursday sale the first known genuine "Upright" piano made in England, by John Hawkins around 1805, should go for £8,000, while two sets of Uilleann pipes, one 19th century, the other made in Dublin about 1930 by Leo Ransome, are expected to top £2,000 each.

The other major event at Sotheby's is the auction tomorrow of an unrecorded Beilby enamelled colour-twist wine glass, which was unearthed at a recent valuation day in Guildford. Beilby is regarded as the greatest British glass-maker of the 18th century and this example, decorated with a three-masted sailing ship called *The Providence*, should sell for at least £5,000.

Paperweights have been a dull market recently but a single-owner collection of more than 200 paperweights, formed in the 1950s and 1960s, will provide some interesting

price comparisons. The most important lot is the magnificent Drifting Snow Baccarat weight, with animal silhouettes on a snow-covered ground: it carries a \$5,000-£12,000 estimate. However, there are weights on offer which should make less than £300.

At Christie's today a Sevres dinner service, given by King Louis XVIII of France to the Vicomte de Chateaubriand in 1823, when he returned from being ambassador in London and became Foreign Minister, comes under the hammer. It was recently rediscovered in a London dining room out of the 60 plates, four bowls and a small tureen show no sign of wear. Obviously Chateaubriand, who had a sick name, "a very short" in the usual version) were stupendous.

In 1884 Christie's sold a basin, made in the Urbino workshop in 1608, for 103 guineas: it reappears in the same auction of continental ceramics with a top estimate of £18,000.

There are also the major Old Master sales this week. Sotheby's has works by Rembrandt, the Brueghels, Teniers the Younger, Canaletto and a good Salomon van Ruysdael. Christie's has Murillo, two "new" Canalettos, a Bellini and a Vermet.

## BASE LENDING RATES

ABN Bank	12 1/2%	Hertford & Gen. Trust	12 1/2%
Allied Irish Bank	12 1/2%	Hill Samuel	12 1/2%
American Express Bk.	12 1/2%	C. Hoare & Co.	12 1/2%
Henry Ansbacher	12 1/2%	Hongkong & Shanghai	12 1/2%
Amro Bank	12 1/2%	Johnson & Co.	12 1/2%
Associates Cap. Corp.	13%	Knowles & Co. Ltd.	13%
Bank of Bilbao	12 1/2%	Lloyds Bank	12 1/2%
Bank Capolun	12 1/2%	Edward Manson & Co.	12 1/2%
BCCI	12 1/2%	Mehraji & Sons Ltd.	12 1/2%
Bank of Ireland	12 1/2%	Midland Bank	12 1/2%
Bank of Cyprus	12 1/2%	Morgan Grenfell	12 1/2%
Bank of India	12 1/2%	Mount-Credit Corp. Ltd.	12 1/2%
Bank of Scotland	12 1/2%	National Bk. of Kuwait	12 1/2%
Bankque Belge Ltd.	12 1/2%	National Girobank	12 1/2%
Barclays Bank Ltd.	12 1/2%	National Westminster	12 1/2%
Beneficial Trust Ltd.	13 1/2%	Northern Bank Ltd.	12 1/2%
Brit. Bank of Mid. East	12 1/2%	Norwich Gen. Trust	12 1/2%
Brown Shipley	12 1/2%	People's Trust	12 1/2%
CL Bank Nederland	12 1/2%	P.F. Financs Intl. (UK)	13%
Canada Permanent	12 1/2%	Provincial Trust Ltd.	13 1/2%
Cedar Holdings	13%	R. Rabpal & Sons	12 1/2%
Charterhouse Japhet	12 1/2%	P. S. Refson	12 1/2%
Chollartons	12 1/2%	Rixburghe Guarantee	13%
Citibank NA	12 1/2%	Royal Bank of Scotland	12 1/2%
City Merchants Bank	12 1/2%	Royal Trust Co. Canada	12 1/2%
Citibank Savings	12 1/2%	Standard Chartered	12 1/2%
Cyprus Popular Bk.	12 1/2%	TCH	12 1/2%
Dunbar & Co. Ltd.	12 1/2%	Trustee Savings Bank	12 1/2%
Dunlop Lawrie	12 1/2%	United Bank of Kuwait	12 1/2%
E. T. Trust	13%	United Mizrahi Bank	12 1/2%
Exeter Trust Ltd.	13%	Westpac Banking Corp.	12 1/2%
First Nat. Fin. Corp.	13 1/2%	Whiteaway Laidlaw	13%
First Nat. Secs. Ltd.	13 1/2%	Williams Glyn's	12 1/2%
Guinness Mahon	12 1/2%	Yorkshire Bank	12 1/2%
Hambros Bank	12 1/2%		

## NOTICE OF REDEMPTION

APS Finance Company N.V.

U.S. \$50,000,000

16 1/2% Guaranteed Debentures

Due 1985

Notice is hereby given that APS Finance Company N.V. has decided to redeem its outstanding 16 1/2% Guaranteed Debentures Due 1985 (the "Debentures") on July 15, 1985, at the Redemption Price of 101 1/2% of their principal amount, together with accrued interest to such date.

On July 15, 1985, the Redemption Price will become due and payable upon all Debentures, and interest thereon shall come to accrue on the due date. All Debentures, together with all coupons appertaining thereto maturing on or after July 15, 1985, are to be surrendered after July 15, 1985, to the Redemption Agent for payment of the Redemption Price at the Corporate Trust Office of Bankers Trust Company in the Borough of Manhattan, The City of New York, or at the main offices of any one of the following:

Trust Company in London, 21 Bankers Trust Company in Paris, 31 Bankers Trust GmbH in Frankfurt am Main, 41 Bankers Trust A.G. in Zurich, 51 Banque de Belgique S.A. in Brussels and 61 Banque Indosuez Luxembourg in Luxembourg.

This redemption is to be carried out pursuant to the provisions of the sixth paragraph of the form of Debenture, and all conditions precedent to redemption pursuant thereto have occurred.

APS Finance Company N.V.

By Bankers Trust Company as Trustee

June 10, 1985

INTERNATIONAL APPOINTMENTS

ON THE FT EVERY THURSDAY

Financial Times — delivered by hand in your city in the USA?

Atlanta, Boston, Chicago, Detroit, Houston, Los Angeles, Mexico City, Miami, Montreal, New York, Philadelphia, Pittsburgh, San Francisco, Seattle, Toronto, Vancouver, Washington.

For details contact:

Financial Times (Europe) Ltd., 11 East 57th Street, New York, NY 10022.



## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY  
 Telegrams: Finantimo, London PS4. Telex: 8954871  
 Telephone: 01-248 8000

Monday July 1 1985

# Danger ahead for the EEC

THE EUROPEAN Community's summit in Milan has ended in the worst possible way. Its task was to work out ways of easing and speeding decision-making in the future by expanding or expanding the role of majority voting, and by reducing or restraining the right of national veto. Instead, it wound up as a contest of wits, with nothing decided, and with the Six and Ireland lined up against Britain, Greece and Denmark. It is hard to conceive, on this kind of issue, a mode of action less appropriate than a contest of wits. The common pre-supposition before the event was that all member states were, in different degrees, ready to submit to more majority voting, as the necessary counterpart to more rapid progress in decisions. Such a move has least welcome to Greece and Denmark, who have long been the Community's foot-draggers. The obvious first priority therefore, has been to build on such consensus as could be worked out.

The deadlock between the foot-draggers and those who claim the greatest readiness to move towards a more politically integrated Europe is particularly damaging for Mrs Thatcher. Her Government had made considerable efforts, in the run-up to the summit, to present a position which was pragmatic, constructive and pro-European, but without conceding much to the quasi-federalist rhetoric of some of the original Six; she may have believed that hers was a position that could reasonably become the basis of compromise. But Britain had once again made too little allowance for the integration aspirations of the Six, and had underestimated their long-simmering resentment at Britain's previous record of trouble-making.

## Spilling role

But the tussle reflects just as little credit on the original Six. They may have been so irritated that Mrs Thatcher should seek to out-manoeuvre them on the middle ground of pragmatism that they resolved to strike a posture on the high ground of Euro-rhetoric. It is even possible that they would genuinely be prepared to introduce majority voting on some issues, where the Rome Treaty prescribes unanimity. But it is sheer illusion to pretend that a 7-to-3 vote in Milan can determine the outcome of a constitutional conference, let alone the ratification process that any treaty revision would require in 12 parliaments.

# Discounting the local grocer

IF YOUR local grocer ever gets to read the Office of Fair Trading's new report, "Competition and Retailing," he may not be very impressed. It concludes that the big discounts the large food retailers such as Tesco and J. Sainsbury are not an abuse of market power primarily because "lower prices are being passed on to the benefit of consumers." Competition in food retailing, says the OFT, is "evidently still very strong."

Small grocers, who are steadily losing market share to the big supermarket chains, will agree competition is fierce. Why then, they may ask, are our prices so often uncompetitive? There are many possible reasons, but the most likely is that the big retailers are more efficient and enjoy many economies of scale. Some corner shops will even maintain their sheer convenience justifies high prices. Many small retailers will argue that they want to be price competitive and, indeed, recognise that their long-term future depends on this but maintain it is impossible because of the special discounts negotiated by the big chains. If the small grocer has to pay much more for his stock, how can he offer the prices of his local Tesco? From his vantage point, the fact that the big retailers pass on some of the benefits of their economies in lower prices has little bearing on the question of fair competition: this is the natural strategy of companies intent on building up market share.

## Special terms

The evidence suggests market share is the supermarkets' goal. The OFT's conclusion that special discounts are benign is in line with a Monopolies and Mergers Commission investigation in 1981. Yet since that report the market share of the big four (Tesco, J. Sainsbury, Asda and Kwik-Save) has increased from 34.2 per cent to 40.7 per cent. Moreover, the value of the discounts is rising: the OFT confirms that the special terms negotiated by Tesco, J. Sainsbury and Asda are worth no less than 10.5 per cent of gross

sales compared with 9.2 per cent four years ago: this is a formidable burden for the corner shop grocer. The notion that all the benefits are passed on to consumers is questionable given the OFT's finding that the current cost reduction of big food retailers are about five percentage points above the industrial average and close to double those in food manufacturing.

The discounts enjoyed by the big retailers are known as "non-cost" discounts: they do not reflect, for example, the reduced cost of bulk deliveries. Since the manufacturers have no incentive to advance them, they must reflect the use, if not the abuse, of market power. The reduction of manufacturers' handling and the steady rise of supermarket "own brands" is a clear indication that market power is shifting to the big retailers.

## Ultimate loser

This may be no bad thing. As power shifts to the likes of Tesco and J. Sainsbury, in the short term at least consumers are likely to benefit through lower prices. But while the discounts may not represent unfair competition as between the big manufacturers and retailers, what about the corner shop grocer? He is the ultimate loser when the retailing chains, with their economies of scale, are able to recoup the money lost on special discounts by charging their small customers more.

In concluding that special discounts do not constitute unfair competition, the OFT is less than wholly convincing. The difficulty is what to do about discounts. Legislation, such as the Robinson-Patman Act in the U.S. to protect small retailers from price discrimination, does not seem effective. More competition between food manufacturers might help since this would lessen their ability to give discounts to anybody. Failing this, some mechanism allowing small retailers to collect a 25 per cent reduction in head office costs and confronting the unions face to face with demands for a substantial

AN AURA of decline seems to hover like smog over Europe's mature industries. They are called "smokestack" or "sun-set" industries. They are to be found in "rust-belts" like the Ruhr, the Lorraine and the West Midlands. They seem forever to be involved in rationalising and restructuring. The shake-out in these traditional industries, such as steel engineering, textiles and furniture, has indeed been horrendous, far worse than most company directors thought they would, or could, face. In Britain alone, more than 1.7m manufacturing jobs have disappeared since 1979.

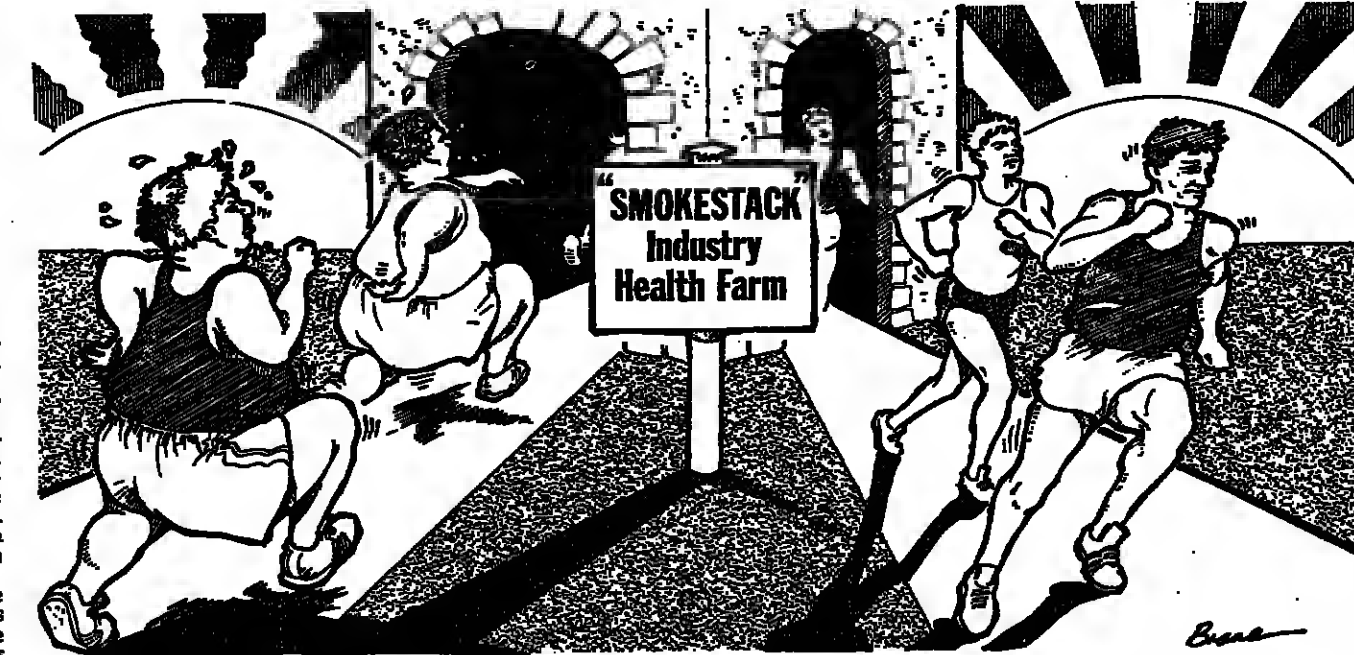
But contrary to a still widespread view, these industries are still contributing very substantially to Europe's economies. In 1983, they produced two-thirds of Europe's visible exports worth \$460bn (£237bn). Moreover, in many sectors both output and profits have been recovering strongly.

How will they fare in the future as competitive pressures from the U.S., Japan and the newly industrialised countries continue to grow? There is no simple answer. Many European manufacturers believe that despite the strains of recent years they have not lost their technological edge. "We do not feel inferior to the Japanese," says M. Jean-Pierre Desgorges, chairman of France's Alstom Atlantic Europe's leading power plant and railway locomotive maker. "We win export orders against them every day." But it is not just the Japanese. To other makers of sophisticated products, the demands of developing countries such as China and India for substantial technology transfers which will one day enable them to compete head-on are a worry.

In some sectors, the labour cost gap with Far Eastern competitors looks too wide to close, but in an increasing number of others the new automated manufacturing technologies (AMT) can sharply reduce the labour component of overall costs. Buying and operating a robot costs much the same in Taiwan as in Italy.

Product design and production engineering are becoming ever more important. The future belongs to those with the wit to design the most efficient products and make them more cheaply than anyone else. The quality of European engineering is still very high, but there are tough new requirements to-day — engineers must be fully conversant with electronics as well as manufacturing — and some people fear that not enough resources are being put into education and training in Europe.

No European country has been spared the need to change, although the timing of the shake-out has varied considerably in the past few years. In general, it tended to flow from north to south, starting in the UK in 1980 and moving fairly quickly to Sweden and West Germany and ultimately to France, Switzerland and Italy. In part, this was because the last recession hit first in Britain, and British manufacturers' competitiveness was devastated by the combination of high inflation and an inflated currency. Swedish and West German industries followed quickly showing their traditional sensitivity to external forces. But in southern Europe, rigid employment regu-



# Some rays of sun peep through the smog

Bylan Rodger

lutions have prevented many out much-needed surgery until manufacturers from carrying recently.

The other perhaps predictable pattern is that the main victims of the shake-out have been small companies. Large groups have been able to protect themselves by shedding labour, cutting off sub-contractors and using their financial strength to acquire new businesses. Most of the traditional giants of European industry — Mannesmann and GHH in Germany, CGE and Schneider in France, Fiat in Italy, GEC and GKN in Britain, and many other major groups — are still there. The only significant names that have disappeared are Creusot Loire, the French heavy engineering group, and IRI, the German construction equipment group. But almost all their operations have been carried on by others.

The same cannot be said for the small machine shops and other sub-contractors that have traditionally fed on the large groups. More than 12,000 companies went bankrupt in Germany last year, more than double the rate in 1979. Other countries have seen similar rates of increase. Insolventcies in England and Wales soared from 4,500 in 1979 to 13,700 last year.

There is also a remarkable similarity about the survival strategies of most of the large companies. They have tended to adopt the framework for analysis developed by the Boston Consulting Group, or variants of it. This requires a group's businesses to be divided into four categories — dogs, cash cows, stars and wild cards. This classification invites directors to nurture businesses in the latter two categories and to keep cash cows as long as they

generate cash. But the dogs — businesses suffering from excessive competition, low margins and low growth — should be jettisoned unless a cost-effective way can be found to move them quickly into one of the other categories.



Examples of companies going through this process can be seen everywhere. GKN has got out of general steel and fasteners, the two businesses on which it was founded, and made major cuts in others, resulting in the reduction of its workforce by 50,000 since 1979. But it has also expanded rapidly and successfully in automotive components. Schneider has jettisoned sports clothing, skis, wind-surfers, watches and drug stores as well as Creusot Loire, and has rebuilt a strong group concentrated on electrical and electronic equipment and process plant contracting.

Asa of Sweden has reduced its interest in slow-growth electric power plant equipment while building up its leading position in robotics. Mannes-

mann bought Hartmann and Braun, the large process control supplier, and Kienzle Apparate, a computer maker, in the early 1980s while carrying out major rationalisation at its Demag heavy engineering subsidiary. Fiat has withdrawn from steel-making but invested heavily to make its Teksid metalworking subsidiary a world leader in aluminium diecasting.

A start has also been made at dealing with the dogs. Pont a Mousson of France has mopped up most of Europe's iron pipe industry. Esab of Sweden is doing the same in welding and Sulzer of Switzerland has taken a dominant position in textile machinery through the acquisition of Ruti in 1984. These businesses, which were formerly unprofitable for all competitors, have become cash generators for the surviving companies.

There is still much to be done to rationalise and revitalise traditional sectors, but even the amount done so far has proved that there are good profits to be made in them. GKN's pre-tax profit last year of £120m was 18 per cent higher than the previous peak in 1979. Its return on assets in 1984 reached nearly 14 per cent, higher than it had been in a decade. Mannesmann recently reported that its net profit in 1984 nearly doubled to DM 183.5m (£47m) on turnover up only 12 per cent. And many other companies are in better financial shape than for several years.

The big question though is whether European manufacturers can maintain their restored momentum against the competitive challenges from the Far East and elsewhere. Some sectors have better prospects than others. Steel textiles and clothing seem so protected by partial government administration of their markets that

they will probably survive, regardless of their competitiveness.

Some low value-added sectors of mechanical engineering, such as foundries and forgings, will also survive partly because production can be automated in many instances and partly because it is usually not worth it for the Koreans and other developing countries to ship these items over long distances. But the size and health of the foundry and forging industries is dependent on the state of the European automotive industry. In the past few years that has meant a significant decline in demand, forcing major closures, and that trend seems likely to continue.

The prospects for makers of sophisticated automotive components and other engineered products seem much brighter. European companies are still among the world leaders in many engineering sectors, such as agricultural tractors, diesel engines, compressors, gas and steam turbines, industrial pumps, bearings and some types of construction equipment, notably excavators and tower cranes. Bosch, Michelin and GKN are successful global suppliers of advanced automotive components.

Mr Peter Sulzer, executive vice-president of the diversified Swiss engineering group which bears his name, says, "In terms of technology, we (Europeans) are more advanced in the classical engineering sectors than the Americans and there is more money going in to keep it that way. Japan has just caught up to us though, and could go ahead unless we spend more on research and development and education."

Japan has already caused the Europeans major headaches in a few sectors. Perhaps the most

disturbing case has been that of machine tools. This industry, although relatively small in terms of sales value (\$20.8bn worldwide in 1984), has always been regarded as strategically important because it produces the machines that make all manufacturing possible.

In the early 1970s, the Japanese industry, then the fourth largest in the world with annual sales of less than \$1bn, seized an extraordinary opportunity presented by the emergence of computer numerical control (CNC) technology. Although this was developed in the U.S. and Europe, the Japanese were the first to capitalise on its potential for making the main types of machine tools — lathes and milling machines — more versatile, and thus making possible high-volume production and sales.

By mid-1984, the Japanese had become the largest machine tool builders in the world, snatching huge market shares in the U.S. and Europe for their sophisticated CNC products. However, in the past three or four years, the Europeans and Americans have been scrambling back, and are now generally believed to have recovered their competitiveness, if not their market shares. The German and Italian machine tool industries have been particularly highly rated in recent surveys.

Another sector hurt by a surge of Japanese competition has been construction equipment. Japanese manufacturers, led by Komatsu, have launched a major and successful international sales drive in the past decade based on keen prices and high product quality. Japanese exports have grown from \$154bn in 1975 to \$41bn last year, and that was over a period when markets worldwide for most types of construction equipment dropped by 30 to 50 per cent.

The impact on European producers, such as Pöclmann of France and Orenstein & Koppel of Germany, was dramatic. O&K sales of excavators halved to \$1,500 million between 1979 and 1982. But the company brought in new management, slashed its workforce, redesigned its excavators and invested in more efficient and automated plant. After three years of losses, the group returned to profit in 1983 and last year boosted exports, profits and orders significantly. Herr Karl Heinz Siepe, chief executive, said last month: "The consolidation phase is over. O&K is once again a technological pacesetter in the market."

Recent studies indicate that more and more European companies are carrying out the sorts of programmes that O&K did, particularly the investments in advanced manufacturing technologies (AMT) such as computer-aided design and automated product forming. Materials handling and assembly. These are the areas where many manufacturers can find the savings in operating costs and improvements in product quality that give them a new competitive thrust. Frost and Sullivan, the international consulting group, has forecast that investment in AMT will soar from \$100m last year to over \$1.5bn by 1990.

If they are right, then there are a lot of traditional manufacturers in Europe who believe they have a future.

Previous articles appeared on June 17, 12, 24, 25 and 26. The next article will appear on Wednesday.

## Clan Kinnock

Is the Kinnock family trying to establish a political network in Wales to rival the Lloyd George group in the first half of the century? Apart from the party leader himself in Islwyn, his brother-in-law Colin Parry has already been adopted as the Labour nominee for Ynys Môn (formerly Anglesey). And now close family friend Joan Ruddock is a likely runner in Torfaen (formerly Pontypool), as widely expected. Lord Abse decided to seek re-election. Mrs Ruddock announced on the weekend that she would be standing down as chairperson of the Campaign for Nuclear Disarmament to seek a winnable parliamentary seat in Glamorgan. Mrs Ruddock does not abandon its non-nuclear policy when returned to power. She has refused to comment on speculation that she might stand for Torfaen, which includes the town in which she was born and grew up.

But Welsh Labour MPs are certain that Mrs Ruddock will stand, against all local candidates, and they suspect that Mrs Glynys Kinnock is closely involved in advising her. Indeed, for all her glamour and charm, Mrs Kinnock has become unpopular with some leading Welsh Labour politicians for being too active politically. Who elected her? Is one view, and there are comparisons with presidential wives Rosalynn Carter and Nancy Reagan and even with Lady Falkender. But then Welsh politics has never been known for its charity.

## Hard driver

The crisis at American Motors (AMC), the U.S. affiliate of Renault, has pushed a 52-year-old Belgian, Mr Jose Dedeurwaerder, into one of the hottest seats in the motor industry. The company is in heavy loss, has high costs and is steadily losing market share.

Dedeurwaerder has decided to tackle the problems head on, ordering a 25 per cent reduction in head office costs and confronting the unions face to face with demands for a substantial

## Men and Matters

out in wages. "It was quite typical of him," says a colleague. "He is very direct. There is no mystery about what is on his mind."

The moves have provoked the inevitable response, with the production line workers originally refusing even to negotiate. But Dedeurwaerder, who has already reduced head office jobs by 800 and is believed to be close to an agreement on a new contract for the shop floor.

His increasing role in this strong-arm battle was underlined last week when Mr Paul Tippet, AMC's American chairman, quit to take up a job as president of textiles manufacturer Spring. Dedeurwaerder is expected to take on the chairman's job, too. He still faces a formidable task. AMC has achieved record production in its Jeep division but is having trouble in the small car range. Dedeurwaerder, an engineer who worked for Renault in Argentina and Mexico, is, however, winning admirers for his tenacity. "If they ever invent the 27-hour day he is going to be the first person to sign up," says a fellow executive.

## Playing the game

Will Clive Lloyd, recently retired at the West Indies' most successful cricket captain, eventually leave Britain and push his luck in volatile Caribbean politics? During a breather in the city on a whistle-stop tour to launch his official biography, written by fellow West Indian Trevor McDonald of ITN, he was still stonewalling.

"I can't deny that I'm attracted by a political role doing something for sport and the people of the West Indies," he says. "But I'm settled in Cheshire (Manchester) and I love Lancashire." To prove it, he was wearing the red rose



"Looks as though there are more ticket forgeries about than we thought"

blazer as he signed books at a shop in Broad Street. Lloyd has an impeccable record as a politician of sport. He helped to boost the earnings of West Indian cricketers by encouraging them to join the Kary Packer circus in Australia, but is even more committed against attempts to lure them to South Africa.

He hasn't much sympathy with those who took the rands and went — and are consequently banned from West Indies cricket. "They broke the rules and have to take the consequences."

Lloyd himself was offered a substantial sum to play in South Africa. He gave a not very polite "No." They wanted him so badly that South African contacts kept phoning him wife to point out how much money he was sacrificing and shouldn't she try to persuade him? "With my wife, they didn't get anywhere," he says.

He calls himself "semi-retired" but is still turning out for Lancashire, particularly in one-day matches. Lancashire even wanted him the day he was due to sign books during the Lord's Test match. Lord's and the book won, so it seems he has set his priorities right.

## Charity chorus

Pop stars are rapidly shedding their swimming pool, tax exile image. When not, like Bruce Springsteen and Paul Weller, making generous donations to miners' funds, they are devoting themselves to charitable works.

This week Greenpeace, the environmentalist pressure group, will be the beneficiary with artists like Wham and Roger Taylor of Queen, contributing songs to an album which aims to "save" Antarctica. Recent chart-topping records have aided the Bradford City appeal and Ethiopia (twice), while currently riding high is "Ben" the proceeds from which help sick children.

And on July 13 comes Live Aid, the biggest media event in history when three simultaneous concerts, at Wembley, Philadelphia and Sydney, should raise more for famine relief in Africa than the annual GNP of some African states.

The stars involved have even solved the delicate matter of who should top the Wembley bill. "Paul McCartney, as an ex-Beatle, gets the honour, over such names as Elton John, David Bowie and Mick Jagger. But not for long. After a few chords of "Let it be" all the other artists will crowd the stage for the chorus, to be followed by the American monster hit for Ethiopian relief, "We are the World."

The only issue to cause trouble is access to the U.S. American television is taking the concert from the early evening, and few stars want an afternoon slot which forgoes the chance of appearing before an audience which buys almost 50 per cent of all the records sold in the world.

Observer



**"Panda" Rubber Shoes**

Panda is loved by every one,  
 so are Panda Rubber Shoes!

Exported by:  
**CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS CO. LTD.**  
 CORP. LIAONING BRANCH  
 110, Stalin Road, Dalian, CHINA  
 Cable: "INDUSTRY" Dalian  
 Telex: 86156 YASHU CN



After the EEC summit

# Why it all went wrong

By Quentin Peel in Milan

EVEN in the annals of the European Community, there can scarcely have been an occasion when appearances were more divorced from reality.

As fireworks in the green and white of the European federalist movement burst over the medieval Castello Sforzesco in Milan, on Saturday night, and champagne corks popped in the courtyard, the leaders of the EEC were licking their wounds after a bruising two-day summit which left them deeply and publicly divided on questions of fundamental principle.

Signor Bettino Craxi, the Italian Prime Minister, and host of what was billed as the launching pad for a decisive move towards European Union, declared it a resounding success. "The European Council has swept away paralysis and introversion," he declared. "We have taken a significant step forward."

Sig Craxi was referring to the bitterly disputed decision, with seven in favour and three against, to press ahead with a fully-fledged inter-governmental conference to amend the Community's founding Treaty of Rome.

He was also describing a meeting which in reality had signally failed to reach any substantive decision on ways of immediately speeding up the creaking decision-making processes of the EEC, so that the promised goal of removing all the remaining barriers to a single Community-wide market could be realised by 1992.

The split between the six founder members of the Community, joined by Ireland, and the unlikely alliance of Britain, Denmark and Greece, was precipitated by Sig Craxi's insistence on the unprecedented move of calling an informal vote at a summit.

It immediately gave rise to two opposite interpretations. There were those, like Chancellor Helmut Kohl of West Germany, and Wilfried Martens, the Belgian Prime Minister, who seemed to welcome the open confrontation. "At least we now know where we all stand, was the gist of what they said. Others, predictably led by Mrs Margaret Thatcher, the British Prime Minister, saw the outcome as a sorry display of indecision and division. "We came here with high hopes," she said, "we were prepared to take decisions

on practical steps forward. We have not made the progress we sought. Others have postponed it to another conference."

In effect, the outcome of Milan means that efforts to galvanise the Community, and restrict the power of individual members to block and delay its decisions, will now almost certainly be left to a conference, where all decision must be unanimous. It raises the prospect of a so-called two-speed Community, with the Seven pressing ahead to greater economic and political union, and the Three hanging back, unwilling to abandon the same degree of national autonomy. The chances of reform before Spain and Portugal join in January are decidedly slim.

So where did it all go wrong? With a full 12 months of preparation for the Milan summit, the divisive question of Britain's budget rebate resurfaced last June at Fontainebleau, and all supposedly set for some clear-cut progress, who dropped the ball. The groundwork for Milan was done by the committee of wise men set up by the EEC leaders at Fontainebleau, chaired by Senator Jim Dooge of Ireland, and made up of the personal representatives of the

other decisions which can already be taken by majority vote.

Britain, Denmark and Greece, on the other hand, all argued in differing ways that there was no need to amend the treaty; what was needed was the political will to move forward. Along with Ireland, they wanted to keep the right of veto.

In the run-up to Milan, there were many in Whitehall who thought Britain, in spite of the divide, had played her cards rather well. What was the point in calling a conference without unanimity, they argued, even if there was obviously a lot of support for the idea in Italy, the Benelux countries, and the European Parliament. Chancellor Kohl and President Mitterrand, moreover, seemed yet to be convinced, unlike their representatives on the Dooge committee.

Into the vacuum, the British pitched their plan for a good-looking package of measures which stopped short of actual treaty amendment: a decision at summit level on various ways of more majority voting, and making use of the veto more difficult; a legal agreement on more foreign policy co-ordination, including some security questions; and a rather limited commitment for more genuine consultation with the European Parliament.

All of these, said Britain, could be decided by the Heads of Government themselves without delay.

The British plan failed at Milan for a variety of reasons.

In the first place, with memories of the Budget deal still vivid, it aroused a general suspicion among her EEC partners that Mrs Thatcher might get away again with picking and choosing exactly the bits of the Community she wanted, without making any concessions to other nations' priorities.

Secondly, it gravely underestimated the determination of Paris and Bonn to retain their role as effective Community pacemakers. This came the virtually unbridled enthusiasm on the eve of the summit of a Franco-German draft Treaty for European Union. It was no more than a watered-down text of the British proposed agreement for more political co-operation, with a new secretariat in Brussels—but it was enough to upset the apple cart.

The third miscalculation was



European leaders (front) and Foreign Ministers (behind) ahead of the weekend talks

over the determination of Italy, in the crucial role as president of the Community for the last six months, to set up an inter-governmental conference as the symbol of its commitment to the ultimate goal of European Union.

The British plan may also have set too little store by the dedication of the smaller member states, in particular Belgium, the Netherlands and Luxembourg—to see the institutions of the Community reinforced, and not simply to make the economic community work more efficiently.

members assume as their right. The summit meeting on Friday and Saturday, meanwhile, was certainly no event for the faint-hearted. On several occasions, talks were actually suspended to allow tempers to cool.

Sig Craxi's decision to take a vote certainly caused a storm, and by all accounts took the British delegation by surprise. It also infuriated Mr Andreas Papandreu of Greece for principles of consensus.

Even so it looked as if a workable compromise might emerge. Throughout Saturday afternoon, texts were flying backwards and forwards seeking to include not only the commitment to a conference, but also the immediate British package of measures to increase majority voting.

It was only when the process was well advanced, that they all realised just what Mr Papandreu was saying: that they could have one thing or the other, but not both the confer-

ence and the majority voting. His cold fury ran directly into the Presidency's commitment to a conference: if one thing had to give, Sig Craxi decided it was the immediate measures on majority voting.

The outcome of the summit remains far from clear. Legally, the decision to call a conference will not be confirmed until the Parliament has been consulted. This means the whole bitter debate will be reopened at the next meeting of Foreign

**What is missing is political will at the top**

Ministers, in Luxembourg later this month.

That meeting will also have to try again to fix a clear conference mandate, watered down by the summit to broad generalities. But that very process threatens to abort the conference before it begins: if the mandate is too specific, and commits the conference to amendments of the treaty, then Denmark may refuse to attend it. The Danish Government remains adamant that it will not countenance any change in the treaty.

As for the Seven, it is argued that they have a much more united front than the Three. Denmark, it is admitted, has theological objections to treaty amendment. Greece's opposition might better be described as visceral. But the UK, it is still seen as a possible convert. "If

we can actually get her to the trough, she will drink," is the view of one Foreign Minister.

Without unanimity, however, the Treaty of Rome remains, and all the existing institutions as they stand. The Seven could then only press ahead with a separate agreement, even different institutions. No one has dared suggest that yet.

A two-speed Europe would not appear to be a juridical possibility, but rather only a practical one; by pragmatic agreements amongst the Seven to agree on co-ordinated policies, say on faster removal of frontiers. That is already happening with Benelux, France and Germany. On most other measures of economic and political co-ordination, Britain would be up with the leaders, out at the back of the pack.

The conference, or the Foreign Ministers, could very probably agree on more formal political co-operation, as now proposed by Britain, France and Germany. It will have to reassure neutral Ireland, as well as the Danes and Greeks, but the outlines are already clear.

What is missing, as Milan all too brutally demonstrated, is the political will at the very top. What also needs to be overcome is a very real divide in European psychology: between those for whom the political symbols come first—and the conference is seen as one—and the practical steps are assumed to follow; and those like Britain who would take it the opposite way round. They may be talking about the same things, but they cannot see it.

Lombard

## 'Eurosclerosis' under scrutiny

By Samuel Brittan

THE TERM "Eurosclerosis" was first coined, as far as I know, by Prof Herbert Giersch of Kiel, to describe the ills that have overcome the European economy in recent years. The condition is in one sense an absolute one. But the term is also used comparatively to show how Europe has fallen behind the U.S. in output and jobs.

The whole concept of Eurosclerosis has now come under attack by a distinguished Frenchman and former EEC Vice-president, Prof Robert Marjolin, in the June 24 issue of the *American Bank Review*.

Marjolin's case, in a nutshell, is that we have become too preoccupied with the two Reagan boom years from 1982 to 1984, which were a temporary surge made possible by America's unique ability to finance her own budget and external deficits from capital inflows. Over a longer period, Europe comes out very much better.

Prof Marjolin's evidence is summarised in the chart. If one hears in mind the very different lengths of time covered by the bars, Marjolin seems to be right on productivity, but the Eurosclerosis have the better of the argument on growth.

Productivity rose so much more in OECD Europe than in the U.S. in all the other periods shown, that the slight superiority in the U.S. performance in 1982-84 cannot hope to make up for it. On the other hand the U.S. growth lead in 1982-84 is significant, and in earlier periods there is little to choose between

the two areas. So at least since the 1973 oil shock, the U.S. growth average has been far superior.

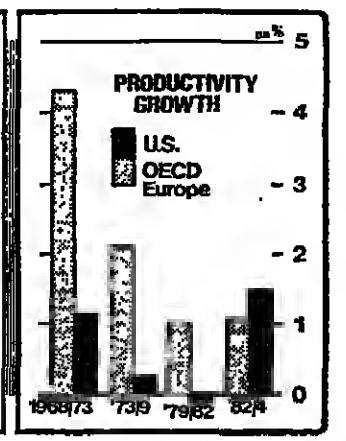
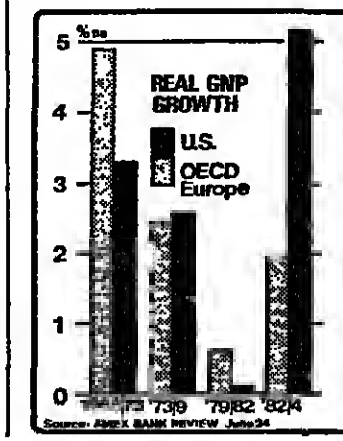
Why should the U.S. have a lead in growth, but not in productivity?

The big difference is that the U.S. was far more successful at providing jobs, so that the smaller productivity increases it did enjoy were more fully utilised and did not go to waste in unemployment.

Indeed a good deal of the rise in the European productivity has not been just technological, but a response to the excessive rise in real pay and other components of labour costs, and has thus contributed to unemployment. Maybe the problem is that of an arthritic labour market rather than a sclerotic general economy.

Excessive real wages have helped to give rise to the further problems of capacity constraints and skills constraints as demonstrated in a new report by the Brussels-based Centre for European Policy Studies, of which Professor Giersch is a co-author, and excessively conservative fiscal policies in Germany but not in Britain may have compounded the difficulties.

Yet there are signs of hope. When an Italian Socialist Prime Minister is able to fight and win a referendum on the adjustment of the social mobility "cost of living" increase, which in effect reduces real wages, there are signs of commonsense—perhaps more so in the Latin than in the northern part of the western fragment of our continent.



### The technology gap

From Mr Colin M. Gibson.  
Sir—I found the first two-thirds of Mr Wilmot's article "Wanted: an industry that is world class" (June 26), gave a perceptive review of a real European problem. It is the final third and his solution with which I take issue.

(3)—I would have added that American culture, supportive of small businesses, and maximum personal income tax level of 50 per cent over many years are also relevant factors, not mentioned by Mr Wilmot, to the take off of venture capital in the 1970s in the U.S.

(4)—To suggest a disappointment and therefore some flaw in the Business Expansion Scheme (BES) because it has not spawned a trans-European world class high tech start-up is a vast red herring. BES is all to do with small business start-up in the UK and is totally irrelevant to a discussion on the perceived needs of medium/large European companies to achieve global capabilities.

(5)—I would sum up Mr Wilmot's Q&A as: "please, taxpayers of the EEC, give us (medium and large national companies in the Community) special incentives and we, and our large financial institutional friends, will join together to meet global competition." How disappointing—or should the word be pathetic—that Mr Wilmot's own company and others cannot get together, if that is what the competitive situation demands, without handouts.

The considerable attitude and influence of Mr Wilmot should, in my view, be directed to Westminster to stepping up each and every process to hasten the elimination of the barriers within the EEC to create the largest "home" market for all European companies. The solution to the problem is not the

### Letters to the Editor

creation of sophisticated and cunning tax benefits which, while applicable in theory to companies of all sizes will, in practice, only benefit the large ones.

Colin M. Gibson,  
West More Lane,  
Pulborough, West Sussex.

#### Solicitors and conveyancing

From Mr P. Rubinstein.

Sir—Sir Gordon Borrie and Professor Farrand, eminent lawyers though they are, just do not understand the function of a private conveyancing solicitor (June 8) which in the case of my firm, and most others I know, extends far beyond the mechanical conveyancing process.

Apart from such mundane matters as obtaining certificates of purity for private water supplies to Welsh properties; ensuring the satisfactory emptying of cesspits; and a neoteric pre-occupation with woodworm and rising damp, time and again we actively dissuade clients from going ahead with transactions which seem to be unwise either on financial or family grounds. For example I have just dissuaded a client from selling his house and buying what, on investigation of his family needs, was clearly an unsuitable replacement that would have been quickly resold. Instead the client is modestly extending his existing house and I have deprived myself of acting in four conveyancing transactions. Does anyone really believe that similar disinterested advice will be available from the "faceless"

institutions? Most do not even allow "clients" to call to see them.

To digress a little, other problems of lack of personal contact arise with bank executor trustee companies. Whilst banks may administer estates efficiently they do so without essential knowledge which would be available to a mortal executor. This was brought home to me early in my career when I was the secretary of a school old boys association. On the death of a retired headmaster I wrote (promptly) to a corporate executor asking for access to historical records relating to an early period of the school. The (prompt) reply was that all personal papers other than those of financial interest had been destroyed. It should be remembered by those who try to improve old established customs that theory and practice rarely go hand in hand.

P. Rubinstein  
Scale Lane,  
Hull HU1 1LJ

#### Pension erosion by inflation

From Mrs Geraldine Kaye

Sir—Nick Ryan's statement that the inflation elements of pension funds should be catered for by non-money purchase means (June 27) cannot be allowed to pass without further comment.

Inflation just before retirement must be paid for—in the case of final salary schemes—by the employer (leaving less in their pot for salary increases to the remainder of the work force?). Final salary schemes have not found a magic answer to the problem of the value of

investments eroding with inflation. The fact that the employer must make good this erosion in value of a change in circumstances is often overlooked. As the cost of living rises, the complete workforce are quoted—usually in the form of x% of payroll. (How can the employer be expected to judge from that how much extra Mr A is costing than originally estimated?)

The difference in emphasis—for that is all that it is—between the money purchase and final salary approach is who should foot the bill. Nothing in this life is free, at least certainly not in commercial life. If the employer really wants to take on this burden of inflation etc, he can easily top up the pension produced by the money purchase approach if it falls short of some target he considers desirable (not necessarily a rigid target fixed for the company irrespective of individual circumstances). The fact that this has not happened in the past would imply to me that they do not really wish to do so. It is only ignorance of the fundamentals of pension scheme design which is causing them to do so now under the guise of the final salary design.

For national decisions to be made about whether to introduce changes to the structure of occupational schemes, whether total changes from defined benefit to defined contribution, or other unthought-of ways, the lay public need to understand how benefits are to be paid for and whom there is much educational work to be done. The meeting of the PMT to which Mr Ryan referred and participated provided welcome input.

Geraldine Kaye,  
Research Fellow in Actuarial Science,  
The City University,  
Northampton Square,  
London EC1.

### Airport development: facts and fancies

From Sir Peter Masefield.

Sir—Alexander Pope was right—not least about airports—that "a little learning is a dangerous thing," as it clearly is for Mr Christopher Meakin of Hong Kong (June 21) who castigates, impartially but, I fear, inaccurately, such a mixed bag as senior civil servants, Prestwick Airport, Mrs Thatcher and the need for "ever bigger airports for London" while, apparently, advocating the diversion of some London-bound and originating traffic to regional airports together with a return to Gatwick. At the same time, he suggests that Ted Heath and Dame Alison Munro (in their days at the Ministry of Civil Aviation) were involved in the drafting of an airports policy for the Attlee Government. With respect, all these points are misconceived or untrue—or both.

Who can doubt that London, as well as our regional airports,

will all continue to need more capacity in common with other such major travel centres as (in order) New York, Chicago, Atlanta, Los Angeles, Tokyo and Paris. The prospective requirements are emphasised in convincing detail in the report of the unbiased, meticulous and painstaking Graham Eyre, QC, after 258 working days of public hearings. On the best available evidence he has estimated that the annual passenger demand through the London area airports is likely to move from 47m passengers per annum in 1985 to 89m by the year 2000 (an increase of 89 per cent). But that this will not be at the expense of regional airports is shown by his estimate that traffic through these airports will grow from the 22m passengers per annum of 1984 to more than 43m by the year 2000—an increase of 95 per cent. The White Paper of 1985 clearly sets out a policy of meeting that demand and

there is obviously no intention of fudging that issue in which the airports at Manchester, Birmingham, Newcastle, East Midlands and Teesside will all grow and flourish, commensurate with their specific traffic catchment areas.

In all of this Prestwick remains an important airport both for the West of Scotland and as a base for the manufacture and overhaul of aircraft and aero-engines. When it is eventually (and the sooner the better) provided with fast motorway and rail links with Glasgow, Prestwick has the ability, environmentally, operationally and economically, to supersede the limited capacity of the present Glasgow Airport at Abbotinch.

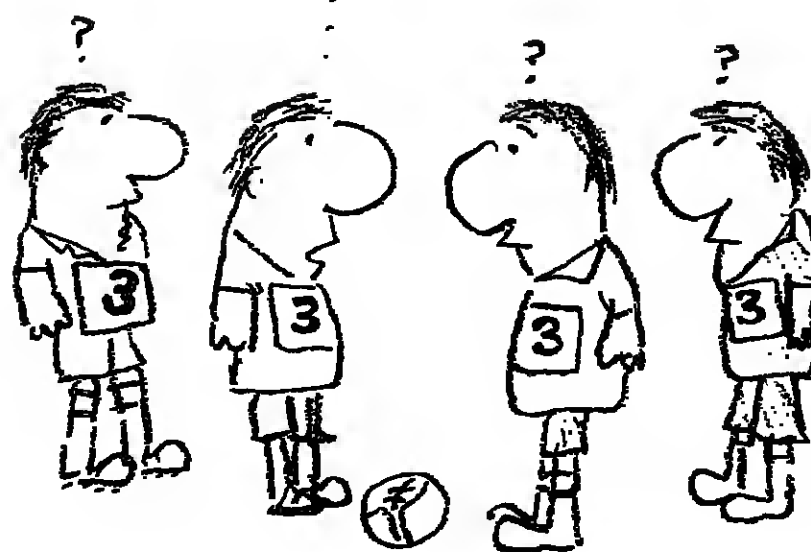
Maplin has always been a dead duck (or "Brent Goose") in operating, economic and geographical terms. Moreover, as an airport it would be environmentally devastating for the swathe of Essex which

would have to be carved out (at vast cost) to provide access. Such a cooked goose cannot be revived.

As for my old colleagues at M.C.A., Ted Heath and Alison Munro—the, then, Colonel Heath's contribution to the early Heathrow Planning Committee, in 1947, was to recognise the need for extensive car parks in the central area—up till then forgotten—and, in a different field, to point out the need for a multi-wheel undercarriage on the forthcoming Comet aircraft so as to spread the load on runway pavements. Alison Munro dealt—brilliantly—with the negotiation of international traffic rights following the Bermuda Ooe Agreement. The fruits of their endeavours flourish yet.

Say not the struggle nought availeth.  
Peter G. Masefield,  
Reigate, Surrey

I think  
the idea  
is that  
we all have  
DIFFERENT  
numbers..



Until Arsenal first gave their players numbers in 1928, radio commentators had a hard time telling footballers apart. But it wasn't until this year that Mobil could claim a number all of its own—100 years of doing business in Britain.

Age, however, isn't everything. We'd rather be known for a few other things. Such as introducing fully synthesised engine lubricants to the UK and still today being able to claim the world's most advanced motor oil—Mobil 1 Rally Formula. Or being the first to inject gas into a UK North Sea oil field instead of burning it off. That helps us to get more oil out and at the same time saves the gas for later use.

All things that count far more than anniversaries.

**Mobil**



**Trollope & Colls (City)**  
01-377 2500.  
THE SIGN FOR  
REFURBISHING

# FINANCIAL TIMES

Monday July 1 1985

**R+T** PROPERTY  
AND  
CONSTRUCTION  
01-493 4837

Terry Byland on  
Wall Street

## In search of solid performers

JUNE has been a difficult time for Wall Street investors. The stock market had to fight hard to manage a modest gain over the month and although new peaks were recorded last week, the latest federal economic data have raised the same old doubts about the outlook for corporate profits.

The Street's view on earnings prospects for U.S. corporations has been erratic since the turn of the year, with forecasts quickly downgraded as the economy seemed to slow, and bullish as the clouds lifted. Overall, forecasts have become slightly more optimistic since January 1 - but not much. Analysts' forecasts currently are for a rise of 2 per cent to 3 per cent in 1985 earnings of the Standard & Poor's 500, compared with earlier forecasts of a "flat" year.

Even these modest predictions have not been all that helpful so far. "Modest" profit gains and peak market levels have not saved investors from a pounding in the technology sector, or from disappointment in the manufacturing areas.

Small wonder, then, that portfolio managers are beginning to look for stocks with a solid performance record rather than the pyrotechnics of yesterday.

One major criterion for identifying such stocks is the earnings stability factor (ESF) compiled by Shearson Lehman Brothers since August last year. The ESF aims to measure the stability of a company's earnings over a 20 year period, by comparing total capitalisation with return on capital.

Shearson rates about 200 companies as possessing high ESF characteristics. The range is wide, covering such diverse stocks as Manufacturers Hanover and Dun & Bradstreet.

As a talent-spotter, ESF is not infallible. Among stocks with high ESF factors are IBM and Hewlett-Packard, neither of which kept pace with the market last month. But the performance of the high ESF group as a whole has lessons for investors.

In broad terms, high ESF stocks have easily outperformed the market during the uneasy period since August last year. As might be expected, they lagged slightly during the 1982-83 bull market, when investors chased high-growth stocks. But the lag was very slight - 57 per cent growth in high ESF stocks, against 69 per cent for the Dow, according to Shearson.

More significant is the relative earnings trend of the ESF stocks, which suggests that they may be undervalued at present. Taking 30 out of its top 200 ESF stocks, Shearson finds that the median earnings ratio of around 10% is at the low end for a group with earnings prospects well above the market average. The group of 30 is expected to push earnings ahead by 8 per cent this year, nearly three times the most optimistic forecasts for the S+P 500.

Yet the high ESF stocks continue to trade at price earnings ratios of only about 135 per cent of the ratio on the S+P 500. This seems to understate the attractions of the stocks during a period of relative uncertainty.

Bristol-Myers and Merck, the drug majors, rate high on the ESF scale. Both have solid earnings records, and rose through the post-1980 recession better than most. Both are believed to be heading for further profits gains this year.

Bristol-Myers, boosted both by its strength in anti-cancer drugs and by non-medical products like infant formula, could lift earnings by 13 per cent this year.

Merck has been finding the going more difficult, because of growing competition for Aldomet and Indocin, its two most profitable drugs. Yet analysts also predict a 13 per cent profit gain from Merck this year.

Both are trading around their 52-week high and both are trading at price earnings ratios well above the average for the ESF stocks. But stock market action has focused around Merck in the past few weeks.

The market seems to be according Merck's earnings quality a little on the high side, compared with Bristol-Myers. Merck should retain its premier position in world drug markets towards the end of the decade as its new drugs come increasingly into play. But for the current year, the stock price may be leaning a little too heavily for comfort on the everlasting hope that the dollar will fall. Of course it may, but that would alter prospects for most drug stocks, not to mention many other market sectors.

Bristol-Myers, on the other hand, can afford to see a weaker dollar as a bonus. Earnings are soundly pinned by the anti-cancer market, worth about \$250m in sales last year.

## Lloyd's members to take legal action over losses

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

UNDERWRITING MEMBERS in the Lloyd's insurance market who are facing £130m (£160m) of losses are planning to mount an extensive legal campaign against the Corporation of Lloyd's and other parties in connection with their worsening financial position.

After a 24 hour meeting about 400 underwriting members decided that they would refuse to pay any money to meet insurance claims and also refuse to co-operate with Lloyd's in demonstrating that they had enough money to meet future insurance claims in a "solvent" test organised by the market.

The underwriting members are those whose affairs are managed by Richard Beckett Underwriting Agencies (once known as PCW). They are just some of 1,325 underwriting members whose funds were misappropriated by former executives of the agency.

In total, some £40m of underwriting members' funds are alleged by the agency's parent company, Minet Holdings, to have been misappropriated by former executives.

Although Minet arranged an offer whereby the underwriting members received a return of funds and other money to compensate them for their funds which have gone missing, other trading losses, amounting to £130m, have hit the members in the course of their trading activities at Lloyd's.

A steering committee, led by Lord Goodman, the British lawyer, has been set up by the underwriting members to protect their interests. Last Friday the steering committee held a meeting at Lloyd's to plan the future course of its campaign and raise further funds to finance legal action. The committee has raised more than £150,000 to protect the position of nearly 400 members who are bearing the brunt of the trading losses.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

The steering committee is to meet Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' affairs with a range of off-shore companies.

## Shares replace perks for UK workers

By Stefan Wagstyl in London

FROM the boardroom to the mail room and the shop floor, British companies are more interested than ever in payment by results. Flat-rate annual pay increases are giving way to performance bonuses and pay rises linked to individual merit.

Traditional fringe benefits such as the staff Christmas bonus, exotic overseas trips and even free petrol are on the way out. Instead, share option schemes are becoming ever more popular.

These are the main findings of a survey published today by Reward Regional Surveys, a West Midlands research company.

The report says that since 1979 tax changes and the end of government pay codes and freezes have created a new culture in many British companies.

"If any manager who retired in 1975 returned to work today, he might justifiably have the impression of being in a foreign country," it says.

"For a start, much of the language might be new. A whole crop of new words - incentive, performance, merit appraisal - has entered into boardroom vocabulary. And by the same token, many of the old familiar terms such as flat-rate increases and norms are fast disappearing."

The report says: "1985 looks set to become a record year for new incentive pay schemes." Some 25 per cent of the 1,200 companies surveyed were introducing new incentive schemes or updating old ones, or were planning to do so in the near future.

However, the authors add: "The wind of change has not, of course, ruffled all organisations." Ten per cent of companies said they had no performance pay system.

The report sees the decline of the Christmas bonus as a sign of the times - only 29 per cent of companies paid one and many of these were dropping it or anxious to do so. "There seems very little doubt that the company Santa will increasingly become a disappearing species."

Performance bonuses are becoming more closely linked to merit. The survey found "a distinctly harder line" about bonuses with many companies saying "without apology" that they refused to pay in bad years or to individuals failing to meet targets.

Meanwhile, fringe benefits are "a diminishing feature of corporate life." The report says: "The bubble is going out of champagne entertaining. Even such relatively modest benefits as free petrol and health insurance are starting to come under the microscope."

Instead, companies are rewarding staff with the straightforward lure of money. Some 68 per cent of companies specifically take performance into account in the annual pay round. "There is no question which way the trend is going... merit will increasingly become the yardstick in the annual pay review."

The report predicts a "boom in share options," with 25 per cent of companies already running at least one scheme, and a further 10.5 per cent planning to introduce one.

The most popular scheme is the save-as-you-earn option scheme, introduced by the 1980 UK budget and open to all staff with a minimum number of years' service, usually five. However, executive option schemes for senior staff only are gaining ground after tax concessions granted in the 1984 budget.

But the report is sceptical about the long-term value of share option schemes. Some companies would do well to leave them alone and pay bigger cash bonuses instead. "Be aware current trends, they may not suit your style," say the authors.

A report from the Top Pay Unit of Incomes Data Services also concludes that the popularity of payment by performance is rising - specifically the use of merit payment systems in which merit increases are built into basic salary or wages.

## THE LEX COLUMN Old problems for new issues

London's new issue trade had ground to a virtual halt by the end of last week. Confronted with one of the most inhospitable equity markets in years, the Bank of England's queue dwindled to a straggly handful of hopeful civil servants, while sponsoring brokers and bankers dispersed to Lords or Wimbledon and fund managers passed the time glumly totting up their underwriting commitments.

London was paying the penalty for an unprecedented, and in retrospect excessive, volume of new issues during the first six months of the year. Alternation of feast and famine is hardly a new feature of the UK primary market, but rarely has the transition been so swift and painful.

Ten days ago, the sponsors of the Abbey Life offer were being roundly criticised for playing fast and loose with the market. The Christian Salvages offer, which was 5.6 times oversubscribed, looks set to open at a discount this morning.

UK new issues weather a volatile market better than most. The Bank queue, for all its faults (and favouritism), helps to ensure that London is not afflicted with the chronic indigestion which periodically lays Wall Street low. The Bank is generally criticised for being too inflexible - it was pretty daft to insist that the Abbey Life offer be priced only a day after publication of the Serps paper - but last week the market was grumbling about exactly the opposite. So the Bank may have it about right.

By appealing over the heads of intermediaries to the retail market, vendors are guaranteed a wider audience for primary offerings than they could obtain in New York, where issues are initially shifted on to the books of the securities houses. It would simply not have been possible, for example, to launch a company the size of British Telecom on Wall Street without tearing up the rule book on initial public offerings.

The UK underwriting system, moreover, allows such a substantial issue to be floated into even a capricious and volatile market. The Reuters offer for sale almost came unstuck in New York, while in London it had been comfortably underwritten in advance.

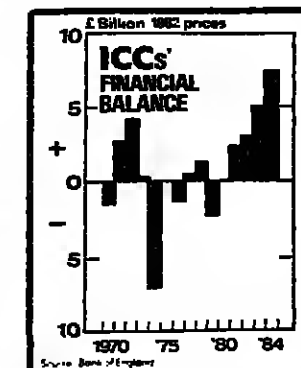
But, for all its advantages, the London structure labours under several handicaps. Not the least of these is that many foreign investors do not understand the arrangements and those that do understand dislike them. Pitching equity into

foreign markets is a hazardous occupation since the flow-back to the UK can knock the price of the issued equity but, like it or not, foreign interest can be a useful stimulus to the domestic market. The sponsors of the forthcoming Britoil offer must be mightily relieved to know that a portion of the offer can be placed in firm foreign hands.

A present, however, registered equity can only be placed in a secondary offering such as Britoil. The Stock Exchange argues, with some justice, that to extend the practice to primary market issues would allow sponsoring brokers and bankers to favour their own clients at the expense of everyone else. Yet an exception was made for Telecom, a portion of which was successfully placed in advance, and there is a case for extending the idea to other large primary issues.

Besides placating the foreign investor, the placing can sometimes produce a truer after-market price. The conundrum of the conventional fixed price offer is that, if the stages are expected to underwrite an offer, subscribers for it and then buy the shares in the after-market to keep the price up. As the primary Britoil offering showed, this can sometimes be a little much. The institutions simply fail to apply and pick up their underwriting commitments instead.

The principal difficulty with the London primary market may be that its capacity is paradoxically too great. It is exceedingly difficult to price an offer accurately when so much personal wealth - and credit - can be mobilised to subscribe for it. Wall Street is perhaps no better at pricing issues - than London - though the much shorter interval between pricing and first dealings can work to its advantage - but the vendor's risk is reduced by the small amount of stock on offer.



ICC: Industrial and Commercial Companies

foreign markets is a hazardous occupation since the flow-back to the UK can knock the price of the issued equity but, like it or not, foreign interest can be a useful stimulus to the domestic market. The sponsors of the forthcoming Britoil offer must be mightily relieved to know that a portion of the offer can be placed in firm foreign hands.

A present, however, registered equity can only be placed in a secondary offering such as Britoil. The Stock Exchange argues, with some justice, that to extend the practice to primary market issues would allow sponsoring brokers and bankers to favour their own clients at the expense of everyone else. Yet an exception was made for Telecom, a portion of which was successfully placed in advance, and there is a case for extending the idea to other large primary issues.

Besides placating the foreign investor, the placing can sometimes produce a truer after-market price. The conundrum of the conventional fixed price offer is that, if the stages are expected to underwrite an offer, subscribers for it and then buy the shares in the after-market to keep the price up. As the primary Britoil offering showed, this can sometimes be a little much. The institutions simply fail to apply and pick up their underwriting commitments instead.

The principal difficulty with the London primary market may be that its capacity is paradoxically too great. It is exceedingly difficult to price an offer accurately when so much personal wealth - and credit - can be mobilised to subscribe for it. Wall Street is perhaps no better at pricing issues - than London - though the much shorter interval between pricing and first dealings can work to its advantage - but the vendor's risk is reduced by the small amount of stock on offer.

But, for all its advantages, the London structure labours under several handicaps. Not the least of these is that many foreign investors do not understand the arrangements and those that do understand dislike them. Pitching equity into

foreign markets is a hazardous occupation since the flow-back to the UK can knock the price of the issued equity but, like it or not, foreign interest can be a useful stimulus to the domestic market. The sponsors of the forthcoming Britoil offer must be mightily relieved to know that a portion of the offer can be placed in firm foreign hands.

A present, however, registered equity can only be placed in a secondary offering such as Britoil. The Stock Exchange argues, with some justice, that to extend the practice to primary market issues would allow sponsoring brokers and bankers to favour their own clients at the expense of everyone else. Yet an exception was made for Telecom, a portion of which was successfully placed in advance, and there is a case for extending the idea to other large primary issues.

Besides placating the foreign investor, the placing can sometimes produce a truer after-market price. The conundrum of the conventional fixed price offer is that, if the stages are expected to underwrite an offer, subscribers for it and then buy the shares in the after-market to keep the price up. As the primary Britoil offering showed, this can sometimes be a little much. The institutions simply fail to apply and pick up their underwriting commitments instead.

The principal difficulty with the London primary market may be that its capacity is paradoxically too great. It is exceedingly difficult to price an offer accurately when so much personal wealth - and credit - can be mobilised to subscribe for it. Wall Street is perhaps no better at pricing issues - than London - though the much shorter interval between pricing and first dealings can work to its advantage - but the vendor's risk is reduced by the small amount of stock on offer.

But, for all its advantages, the London structure labours under several handicaps. Not the least of these is that many foreign investors do not understand the arrangements and those that do understand dislike them. Pitching equity into

foreign markets is a hazardous occupation since the flow-back to the UK can knock the price of the issued equity but, like it or not, foreign interest can be a useful stimulus to the domestic market. The sponsors of the forthcoming Britoil offer must be mightily relieved to know that a portion of the offer can be placed in firm foreign hands.

A present, however, registered equity can only be placed in a secondary offering such as Britoil. The Stock Exchange argues, with some justice, that to extend the practice to primary market issues would allow sponsoring brokers and bankers to favour their own clients at the expense of everyone else. Yet an exception was made for Telecom, a portion of which was successfully placed in advance, and there is a case for extending the idea to other large primary issues.

Besides placating the foreign investor, the placing can sometimes produce a truer after-market price. The conundrum of the conventional fixed price offer is that, if the stages are expected to underwrite an offer, subscribers for it and then buy the shares in the after-market to keep the price up. As the primary Britoil offering showed, this can sometimes be a little much. The institutions simply fail to apply and pick up their underwriting commitments instead.

The principal difficulty with the London primary market may be that its capacity is paradoxically too great. It is exceedingly difficult to price an offer accurately when so much personal wealth - and credit - can be mobilised to subscribe for it. Wall Street is perhaps no better at pricing issues - than London - though the much shorter interval between pricing and first dealings can work to its advantage - but the vendor's risk is reduced by the small amount of stock on offer.

But, for all its advantages, the London structure labours under several handicaps. Not the least of these is that many foreign investors do not understand the arrangements and those that do understand dislike them. Pitching equity into

foreign markets is a hazardous occupation since the flow-back to the UK can knock the price of the issued equity but, like it or not, foreign interest can be a useful stimulus to the domestic market. The sponsors of the forthcoming Britoil offer must be mightily relieved to know that a portion of the offer can be placed in firm foreign hands.

A present, however, registered equity can only be placed in a secondary offering such as Britoil. The Stock Exchange argues, with some justice, that to extend the practice to primary market issues would allow sponsoring brokers and bankers to favour their own clients at the expense of everyone else. Yet an exception was made for Telecom, a portion of which was successfully placed in advance, and there is a case for extending the idea to other large primary issues.

Besides placating the foreign investor, the placing can sometimes produce a truer after-market price. The conundrum of the conventional fixed price offer is that, if the stages are expected to underwrite an offer, subscribers for it and then buy the shares in the after-market to keep the price up. As the primary Britoil offering showed, this can sometimes be a little much. The institutions simply fail to apply and pick up their underwriting commitments instead.

The principal difficulty with the London primary market may be that its capacity is paradoxically too great. It is exceedingly difficult to price an offer accurately when so much personal wealth - and credit - can be mobilised to subscribe for it. Wall Street is perhaps no better at pricing issues - than London - though the much shorter interval between pricing and first dealings can work to its advantage - but the vendor's risk is reduced by the small amount of stock on offer.

## UK miners' union threatened by splits over rule changes

BY OUR LABOUR STAFF IN LONDON

THE BRITISH mineworkers' union is facing the risk of splits and a legal challenge from within its own ranks as moves get underway this week to impose far-reaching changes aimed at tightening up the central control of the union.

Mr Arthur Scargill, president of the National Union of Mineworkers (NUM), who experienced strong opposition to his policies from within the union during the year-long pit strike which ended in March, now faces a challenge to this power and leadership.

The NUM meets in Sheffield this week for its annual conference when rule changes will be debated. Delegates from moderate coalfields are expected to call for Mr Scargill to stand for re-election as president at the end of this year. This would be an attempt to prevent him from

remaining in the job for life, which he is able to do under existing rules. These coalfields are represented by 43 of the 107 delegates who will attend the five-day gathering.

Mr Scargill said yesterday that he believed moves to weaken his position in the union would fail and that he would emerge from the conference stronger.

He said that voting on the first resolution on the conference agenda today - congratulating the NUM executive on its work over the past 12 months - would "indicate where the delegates stand" and set the course for a future militant policy from the union. The righted areas will seek to condemn the executive.

At the same time, Mr Scargill said the union would elect three new trustees as a first move to regain control of the £8m held by the court-appointed receiver or still frozen in bank accounts in the UK and abroad as a result of the strike. This move is likely to be followed by a purging of the contempt of court incurred by the union, thus allowing it to regain its cash.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules - but even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's highest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules - but even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's highest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules - but even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's highest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules - but even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's highest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules - but even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's highest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules - but even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's highest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules - but even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's highest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This means any significant challenge unlikely to succeed.

## Chrysler to acquire Hutton unit

By Terry Dodsworth in New York

CHRYSLER, the U.S. motor group, is to diversify further into the financial services





# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Monday July 1 1985



### CREDITS AND EUROBONDS

## Why flying solo does not work

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A DISCREET campaign is being mounted by banks in the Eurozone market to discourage top U.S. corporate borrowers from trying to assemble facilities on their own without appointing any particular lead group.

The campaign follows suspicions over the past few weeks that American Airlines was considering just such a method for the \$300m backstop facility it is known to want to have in place by the end of the summer.

In part, it is the natural reaction of bankers who have already seen their returns from syndicated lending dwindle away to almost nothing. They are worried that fee income might dry up altogether if such a practice became widespread. But the fact that the issue has come up at all says much about the current state of the Eurozone market. The fact is that more and more U.S. companies are looking at Eurozone programmes as an alternative to or to complement their commercial paper issues.

This is because rates in the two markets have tended to converge since the start of the year, facilitating what are called global programmes of the type launched last week by Dominion Resources which is offering commercial paper in the U.S. and in the Eurozone simultaneously.

Also, competition in the U.S. market has forced some banks there to drop their commitment fees on back-up loans attached to commercial paper programmes while fees on similar facilities in Europe have been rising following April's circular from the Bank of England imposing capital requirements on Eurozone underwriting.

The upshot is that total financing costs in the two markets have thus come very close together, but the problem is that U.S. companies are traditionally used to arranging their own back-up credits in the commercial paper market, and the

fact is that many might be inclined to do the same in Europe.

Here is where bankers really get hot under the collar. Most of them believe that Eurozone issues needed to carry a rating from an agency such as Standard & Poor's or Moody's, but these agencies normally require top-rated issues to carry a bank back-up line. There is a world of difference, however, between an easily assembled back-up line for commercial paper in the U.S. and a Eurozone facility with its complicated tender panel structure.

A company which tries to arrange such a facility on its own could really come unstuck, they argue, citing the unhappy experience of Occidental Petroleum which earlier launched a do-it-yourself deal for \$200m only to have to increase the fees on offer half way through. The market verdict at the time was that the deal turned out unnecessarily expensive for Occidental.

So there it is - a plea from the banking community to borrowers to keep pushing business their way. It is perhaps all the more heartfelt at the moment because new deals continue to thin on the ground.

But the Australian metals concern Comalco, which is controlled by CRA, has mandated Credit Suisse First Boston and Morgan Guaranty to arrange a \$450m facility on terms as yet undisclosed. Also Coca-Cola's cup is truly flowing over. Its \$365m facility launched 10 days ago through Salomon Bros to finance receivables has attracted subscriptions in excess of \$700m and a further tranche of \$265m is being launched on similar terms.

Elsewhere, Credit Commercial de France launched a \$40m World Bank co-financing for the Ivory Coast which is part of a \$210m highway project. The 8½-year deal is in Euros and French francs with a margin of 1½ per cent and in dollars at a margin of 1½ per cent over U.S. prime.

## SIP plans public issue of shares

By Alan Friedman in Milan

SIP, the Italian state-owned telephone and telecommunications company, is hoping to follow in the footsteps of British Telecom by offering up to 49 per cent of its shares to Italian and foreign investors.

Sig Paolo Benetton, vice-president and managing director of SIP, said he would seek government approval for the partial privatisation.

He also said he expected interest in SIP shares would come from U.S. and British institutional investors.

SIP, which is controlled by the IRI-STET state holding group, is quoted on the Milan bourse, where 13.89 per cent of its shares are in private hands.

Pirelli, the leading Italian tyre and cables company, owns just over 3 per cent of SIP.

Last year SIP, which employs 75,000 people, made a net profit of L1,185bn (\$64m) and devoted L4,185bn to capital investment. This year the telephone utility is planning to allocate L4,400bn to capital expenditure.

Sig Benetton said he hoped a share offer could go ahead in the near future. Before a privatisation exercise of this magnitude can go forward, it will doubtless be subject to discussions at the political level, among government ministers and in the parliament.

SIP last year paid a dividend of L100 per share.

Montedison, the Milan-based chemicals, energy and health care group, is to merge its Ausimont specialty chemicals subsidiary with Compo Industries, a Delaware-based chemicals company which is quoted on the New York Stock Exchange.

Compo last year returned an income of \$3.8m on revenues of \$132m.

### INTERNATIONAL BONDS

## Dollar straights stage strong revival

BY ALEXANDER NICOLL IN LONDON

THE LAMENT of one devoted Eurobond trader, as a healthy market recovery gathered strength after a week which began dismally, was: "It's unfortunate that it's Friday." A full-point gain on Friday recouped the earlier losses and meant that many recent issues, especially dollar straights, were looking good.

The rediscovered confidence mirrored gains in the New York market following the successful absorption of the Treasury's three-day refunding programme. But it left syndicate managers still mindful of the caution of investors and of the need to target individual pockets of demand.

Among the new straight Eurobonds, most sought a market for fairly short maturities. Rockwell International's \$200m issue launched on Friday had a 9½ per cent coupon and a 99½ price and attracted demand partly because it has a five-year life. Tokyo Electric Power's \$100m 10½ per cent issue was for seven years, and Barclays Bank and Statoil both issued five-year bonds on Thursday.

Requiring closer scrutiny of offer telegrams was a \$208m three-tranche deal for Middletown Trust, a special-purpose fund managed by General Electric Credit Corporation.

The borrowing is to finance the purchase of a New York building from GECC by Aetna Life and Casualty, and it is secured on the lease rentals from the building. The guarantee switches after the first year from GECC to Aetna.

The third part of the deal, carrying the bonus for managers of 5 per cent total fees, is a zero-coupon issue priced at par, which accrues interest at 11½ per cent until 1999 and then becomes a regular 11½ per cent bond. Initial market reaction was that the deal, led by Credit Suisse First Boston, should go well once those telegrams have been digested.

Many market participants had less kind words to say about the continuing state of floating-rate notes (FRNs) with maximum interest rates. Tsuyo Kabe Bank's \$100m issue on Friday brought the total of capped FRNs so far to 17, totalling \$2,670m, all in just over two months.

The concept, generally acknowledged to be creative, has been enthusiastically embraced by banks - Italy is the only 000-bank issuer - which can obtain cheap funds by selling the cap on to institutions seeking protection from a rise in rates. The sale proceeds more than compensate the issuer for the

above-market rate paid to the investor to compensate for the risk of the cap.

The advantages of the cap deal, as well as the fees involved, may outweigh the near-term difficulties in placing the paper. And despite the grumbles about a glut, it is clear that such issues will continue provided there remains something in them for all the parties - at least three - in each deal.

Investors in capped FRNs are mostly banks, which can boost the yield on their FRN portfolio by buying them. Clearly, however, they want to keep a limit on their capped holdings because of the risk of a sustained rise in rates. Consequently, buyers were becoming increasingly selective during the week. The potential list of issuers and cap counterparties - be they U.S. savings and loans, less developed countries, or any company seeking interest rate protection - would seem huge.

Perhaps the most interesting twist to the capped formula was Bank of America's addition of the mismatch technique in its deal for Italy. Initially, the market was put off by the added complexity, and even at the end of the week there were doubts about its virtues.

### EUROMARKET TURNOVER

Turnover (\$m)

Primary Market	Secondary Market	Total
U.S.\$ 2,035.9	1,011.1	3,047.0
Prev 2,516.0	518.7	3,034.7
Other 652.3	18.6	670.9
Prev 584.9	—	584.9

U.S.\$	£	Other	Total
10,764.8	25,888.8	38,653.6	75,307.2
Prev 13,442.1	27,586.1	41,044.8	82,073.0
Other 3,267.5	3,019.3	6,286.8	12,573.6
Prev 3,624.3	3,482.0	7,106.3	14,192.6

Week to June 27 1985 Source: AHD

isued by the more frequent coupon settings.

Friday saw the launch of the first convertible Eurobond by a Japanese City bank. Mitsubishi Bank's issue was attractively priced and did well. It is expected to be followed this week by Sumitomo Bank in both dollars and Swiss francs. Meanwhile, Japanese securities houses are eagerly awaiting the first mandate for a Eurozone floating-rate note.

The growth of the market for Australian dollar bonds was illustrated by Friday's increases in three recent issues. Like Canadian dollar (including Friday's issue by Southland, operator of 7-Eleven convenience stores) and New Zealand dollar issues, they are mainly for a retail market in Europe. The Australian dollar market is thought likely to absorb more issues. But the New Zealand market is said to be over-populated.

In Germany, the bond market reacted well to news of a fairly limited July calendar. The first dual currency bond is expected to be arranged early this week, and Deutsche Bank is expected to bring a co-convertible straight issue for the World Bank on Tuesday.

## CBS in new attack on Turner

BY TERRY DODSWORTH IN NEW YORK

CBS, the embattled U.S. broadcasting company, has intensified its counterattack against the \$5.4bn takeover bid by Mr Ted Turner, the Atlanta-based television entrepreneur, in a sweeping criticism of the financial logic of the offer.

The CBS arguments were presented in a second filing with the Federal Communications Commission, the regulatory body for the U.S. television industry. In the new document, CBS suggested that Mr Turner would cripple the group by running up consistent losses after

the proposed acquisition and proposed that detailed hearings should be held on the transfer of licences which would be involved if his were to succeed.

The vigorous disagreement between CBS and Mr Turner, who has previously filed his own version of the broadcasting group's future finances, is caused by the unusual way in which the bid is being funded.

In lieu of cash, Mr Turner is offering a complex package of high-

coupon debt securities - generally known as "junk bonds" - to CBS shareholders. These bonds will then have to be serviced from the revenues generated by the company.

According to CBS, many of the assumptions on which Mr Turner's debt servicing is based are unrealistic. The company suggests that the forecast of an 8 per cent annual increase in CBS revenues is over-optimistic, given the normal cyclical fluctuations of the television advertising industry.

## Société Générale to lift stake in Sogenal

BY OUR FINANCIAL STAFF

SOCIÉTÉ GÉNÉRALE, the French state-owned banking group, plans to raise its stake in Société Générale Alsacienne de Banque (Sogenal) to 52.88 per cent by buying FFf 175m (\$18.8m) worth of new shares.

The group will also reorganise its activities in Switzerland and in West Germany where Sogenal is seeking to acquire the deposits of the failed Munich-based bank, Schneider and Muenzing.

Société Générale, which already owns 42 per cent of Sogenal, will buy 233,500 new shares at FFf 750 each, bringing Sogenal's capital base up to FFf 808m.

Société Générale said the two banks would merge their West German activities in a new subsidiary, Société Générale-Elsässische Bank OHG. It will have nearly DM 200m (\$65.3m) of capital to be provided equally by the two banks.

### NEW ISSUE

This announcement appears as a matter of record only.

## VOLVO

### Volvo Capital B.V.

(Incorporated in The Netherlands with limited liability)

U.S. \$150,000,000  
Guaranteed Extendible Notes Due 1990/2000  
unconditionally and irrevocably guaranteed by

## Aktiebolaget Volvo

(Incorporated in the Kingdom of Sweden with limited liability)

Merrill Lynch Capital Markets

Amro International Limited BankAmerica Capital Markets Group  
Bankers Trust International Limited Credit Suisse First Boston Limited  
Deutsche Bank Enskilda Securities  
Generale Bank Hambros Bank  
Morgan Guaranty Ltd Morgan Staoley International  
Post- och Kreditbanken, PKbanken Société Générale  
Svenska Handelsbanken Group Union Bank of Switzerland (Securities) Limited  
Yamaichi International (Europe) Limited

Al-Mal Group Arab Banking Corporation (ABC) Bank Brussel Lambert N.V. Bank Leu International Ltd.  
Bank Mees & Hope NV Banque Internationale à Luxembourg S.A. Banque Nationale de Paris Bayerische Vereinsbank  
Berliner Handels- und Frankfurter Bank Citicorp International Bank Limited Crédit Agricole Crédit Lyonnais  
Daiwa Europe Limited Deo Danske Bank Den Norske Creditbank Dominion Securities Pitfield Limited  
Dresdner Bank Girozentrale und Bank der österreichischen Sparkassen Goldman Sachs International Corp. Göttingen  
Great Pacific Capital S.A. Kleinwort, Benson Limited Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)  
Kuwait International Investment Co. s.a.k. Manufacturers Hanover Limited McLeod Young Weir International Limited  
Merck, Finck & Co. Mitsubishi Finance International Limited Mitsui Trust Bank (Europe) S.A.  
The National Bank of Kuwait S.A.K. Nederlandse Credietbank NV The Nikko Securities Co., (Europe) Ltd.  
Nippon Credit International (HK) Limited Nomura International Limited Norddeutsche Landesbank  
Novo Banco Ambrosiano SpA Sal. Oppenheim Jr. & Cie. Orion Royal Bank Limited Österreichische Länderbank  
Pierson, Halding & Pierson N.V. Postipankki Privatbanken A/S Rabobank Nederland  
Schweizerische Hypothek- und Kreditbank Standard Chartered Merchant Bank Limited  
Sumitomo Finance International Sumitomo Trust International Limited Sundsvallsbanken SwedBank  
The Tsuboi Kobe Bank (Luxembourg) S.A. Takagin International Bank (Europe) S.A. Tokai International Limited  
Toronto Dominion International Limited Toyo Trust International Limited Union Bank of Norway Ltd.  
Vereins- und Westbank M.M. Warburg-Brinckmann, Wirtz & Co. Yasuda Trust Europe Limited

June 1985



U.S. \$100,000,000

## The Seagram Company Ltd.

10% Bonds due 1995

Swiss Bank Corporation International Limited

Aigemene Bank Nederland N.V. Julius Baer International Limited  
Banca del Gottardo Bank Leu International Ltd.  
Bank in Liechtenstein AG Banque Bruxelles Lambert S.A.  
Banque Indosuez Banque Nationale de Paris  
Dai-ichi Kangyo International Limited Daiwa Europe Limited  
Dresdner Bank Aktiengesellschaft Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft  
Hill Samuel & Co. Limited IBI International Limited  
Lloyds Bank International Limited LTCB International Limited  
Mitsubishi Finance International Limited The Nikko Securities Co., (Europe) Ltd.  
Toronto Dominion International Limited

New Issue

This announcement appears as a matter of record only.

June, 1985



## INTERNATIONAL CAPITAL MARKETS

## U.S. MONEY AND CREDIT

## Rally indicates a further fall in rates

AFTER the previous week's roller-coaster ride, the atmosphere in the U.S. credit markets improved in the middle of last week as investors stepped in to take advantage of recent heavy losses which had been precipitated by the surprisingly strong 3.1 per cent "flash" estimate of second-quarter growth in the Gross National Product.

On Monday long bond prices fell by half a point and the following day they were down by much the same again. However, by Wednesday the mood in the markets had turned, helped in part by unexpectedly strong investor interest in the U.S. Treasury's \$17bn "mini-refunding".

With hopes of an early cut in interest rates evaporating, there was concern in the markets that the Treasury funding operation might require higher interest rates to attract investors. The rates at the weekly auction of \$1.5bn of U.S. Treasury Bills, on Monday, had jumped by 33 basis points with the three-month bills yielding 7.06 per cent, leading many to believe that the refunding would go badly.

U.S. MONEY MARKET RATES (%)				
	Friday	1 week	4 weeks	12-month
Fed Funds (weekly average)	7.53	7.50	7.73	11.72
Three-month Treasury bills	7.06	7.04	7.13	10.77
Six-month Treasury bills	7.00	7.00	7.13	10.81
Three-month prime CDs	7.50	7.50	7.45	11.00
30-day Commercial Paper	7.50	7.50	7.45	11.00

U.S. BOND PRICES AND YIELDS (%)				
	Last Change	1 week	4 weeks	12-month
Seven-year Treasury	+0.01	+0.01	+0.01	+0.01
20-year Treasury	+0.01	+0.01	+0.01	+0.01
New 10-year "A" Financial	+0.01	+0.01	+0.01	+0.01
New "AA" Long Industrial	+0.01	+0.01	+0.01	+0.01

Money Supply: In the week ended June 17 M1 fell by \$1.5bn to \$283.2bn.

In the event, it went far better than the Treasury Bill auction. The \$1.5bn of four-year notes yielded 9.72 per cent—150 basis points lower than at the March auction and the lowest level since June 1980. The 10.40 per cent yield on the \$1.5bn of seven-year notes was the lowest since August 1979 and there were signs of fairly heavy overseas demand for Thursday's auction of \$4.5bn of 20-year government paper which went on a yield of 10.75 per cent.

The success of the refunding, combined with a better-than-expected \$1.5bn drop in the weekly M1 money supply figures, helped restore the market's confidence. By the end of the week three-month Treasury Bills were trading comfortably below 7 per cent again, and the long bond market's bellwether, Treasury 20-year, due 2015, which had sunk by more than four full points in as many days, had bounced back from a Tuesday low of 10.44 to finish the week at 10.71.

Mr David Wyss, Data Resources' senior economist, believes that the trough in U.S. interest rates has passed for the time being. He argues that the more encouraging news from the real economy "has convinced the Federal Reserve that it does not need to ease further at the present time."

The less sluggish the economy appears, the more attention the Fed is likely to pay to the high monetary aggregate figures and he expects short-term interest rates to drift upwards over the next few months.

But it is possible to find almost as many analysts who argue that rates have further to fall. In the latest issue of Barron's, the U.S. weekly financial paper, finds that four out of the nine analysts questioned forecast that by the year-end the Fed Funds rate will be lower than its current 7.5 per cent, as will long-term government bond yields which are currently around 10 per cent.

Few investors predicted the scale of the recent rally, and this is understandable since the recent Fed easing is probably due as much to concerns about the stability of some of the weaker members of the U.S. financial system, precipitated by the runs on small savings banks and a record number of bank failures, as to worries about the pace of economic growth.

Meanwhile the public row last week between Mr Nigel Lawson, the Chancellor, and the Confederation of British Industry over what companies should do with their profits added to the fog surrounding present policy.

But one view gaining ground is that in terms of macro-economic policy the dispute is a red herring; that the focus of policy is almost entirely on holding sterling at a high level to squeeze out inflation and any other considerations are subsidiary.

And coincidentally, it was the pound which once again came to the rescue of the gilt-edged market last week. After drifting lower for the most of the week it came under strong pressure from heavy institutional selling early on Friday.

But with the dollar weakening sharply later in the day and sterling moving above the \$1.30 mark, the losses on the week were trimmed to around 1 point.

investors are very aware that it is most unlikely that they will be able to match their performance in the second quarter for a long time to come. Over the past three months, bonds have outperformed the share markets despite the fact that the Dow Jones industrial average ended the period at an all-time high. Since the end of March, long bond yields have dropped by around 115 basis points and the Fed Funds rate is down by close to 100 basis points at around 7.5 per cent.

Mr David Wyss, Data Resources' senior economist, believes that the trough in U.S. interest rates has passed for the time being. He argues that the more encouraging news from the real economy "has convinced the Federal Reserve that it does not need to ease further at the present time."

The less sluggish the economy appears, the more attention the Fed is likely to pay to the high monetary aggregate figures and he expects short-term interest rates to drift upwards over the next few months.

But it is possible to find almost as many analysts who argue that rates have further to fall. In the latest issue of Barron's, the U.S. weekly financial paper, finds that four out of the nine analysts questioned forecast that by the year-end the Fed Funds rate will be lower than its current 7.5 per cent, as will long-term government bond yields which are currently around 10 per cent.

Few investors predicted the scale of the recent rally, and this is understandable since the recent Fed easing is probably due as much to concerns about the stability of some of the weaker members of the U.S. financial system, precipitated by the runs on small savings banks and a record number of bank failures, as to worries about the pace of economic growth.

Meanwhile the public row last week between Mr Nigel Lawson, the Chancellor, and the Confederation of British Industry over what companies should do with their profits added to the fog surrounding present policy.

But one view gaining ground is that in terms of macro-economic policy the dispute is a red herring; that the focus of policy is almost entirely on holding sterling at a high level to squeeze out inflation and any other considerations are subsidiary.

And coincidentally, it was the pound which once again came to the rescue of the gilt-edged market last week. After drifting lower for the most of the week it came under strong pressure from heavy institutional selling early on Friday.

But with the dollar weakening sharply later in the day and sterling moving above the \$1.30 mark, the losses on the week were trimmed to around 1 point.

investors are very aware that it is most unlikely that they will be able to match their performance in the second quarter for a long time to come. Over the past three months, bonds have outperformed the share markets despite the fact that the Dow Jones industrial average ended the period at an all-time high. Since the end of March, long bond yields have dropped by around 115 basis points and the Fed Funds rate is down by close to 100 basis points at around 7.5 per cent.

Mr David Wyss, Data Resources' senior economist, believes that the trough in U.S. interest rates has passed for the time being. He argues that the more encouraging news from the real economy "has convinced the Federal Reserve that it does not need to ease further at the present time."

The less sluggish the economy appears, the more attention the Fed is likely to pay to the high monetary aggregate figures and he expects short-term interest rates to drift upwards over the next few months.

But it is possible to find almost as many analysts who argue that rates have further to fall. In the latest issue of Barron's, the U.S. weekly financial paper, finds that four out of the nine analysts questioned forecast that by the year-end the Fed Funds rate will be lower than its current 7.5 per cent, as will long-term government bond yields which are currently around 10 per cent.

Few investors predicted the scale of the recent rally, and this is understandable since the recent Fed easing is probably due as much to concerns about the stability of some of the weaker members of the U.S. financial system, precipitated by the runs on small savings banks and a record number of bank failures, as to worries about the pace of economic growth.

Meanwhile the public row last week between Mr Nigel Lawson, the Chancellor, and the Confederation of British Industry over what companies should do with their profits added to the fog surrounding present policy.

But one view gaining ground is that in terms of macro-economic policy the dispute is a red herring; that the focus of policy is almost entirely on holding sterling at a high level to squeeze out inflation and any other considerations are subsidiary.

And coincidentally, it was the pound which once again came to the rescue of the gilt-edged market last week. After drifting lower for the most of the week it came under strong pressure from heavy institutional selling early on Friday.

But with the dollar weakening sharply later in the day and sterling moving above the \$1.30 mark, the losses on the week were trimmed to around 1 point.

investors are very aware that it is most unlikely that they will be able to match their performance in the second quarter for a long time to come. Over the past three months, bonds have outperformed the share markets despite the fact that the Dow Jones industrial average ended the period at an all-time high. Since the end of March, long bond yields have dropped by around 115 basis points and the Fed Funds rate is down by close to 100 basis points at around 7.5 per cent.

Mr David Wyss, Data Resources' senior economist, believes that the trough in U.S. interest rates has passed for the time being. He argues that the more encouraging news from the real economy "has convinced the Federal Reserve that it does not need to ease further at the present time."

The less sluggish the economy appears, the more attention the Fed is likely to pay to the high monetary aggregate figures and he expects short-term interest rates to drift upwards over the next few months.

But it is possible to find almost as many analysts who argue that rates have further to fall. In the latest issue of Barron's, the U.S. weekly financial paper, finds that four out of the nine analysts questioned forecast that by the year-end the Fed Funds rate will be lower than its current 7.5 per cent, as will long-term government bond yields which are currently around 10 per cent.

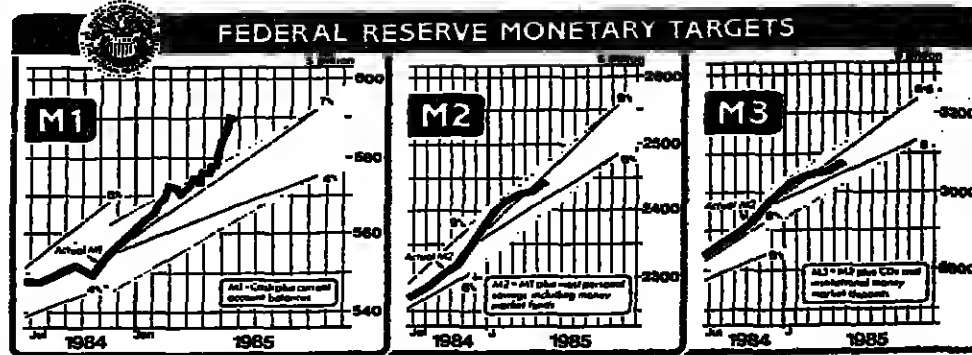
Few investors predicted the scale of the recent rally, and this is understandable since the recent Fed easing is probably due as much to concerns about the stability of some of the weaker members of the U.S. financial system, precipitated by the runs on small savings banks and a record number of bank failures, as to worries about the pace of economic growth.

Meanwhile the public row last week between Mr Nigel Lawson, the Chancellor, and the Confederation of British Industry over what companies should do with their profits added to the fog surrounding present policy.

But one view gaining ground is that in terms of macro-economic policy the dispute is a red herring; that the focus of policy is almost entirely on holding sterling at a high level to squeeze out inflation and any other considerations are subsidiary.

And coincidentally, it was the pound which once again came to the rescue of the gilt-edged market last week. After drifting lower for the most of the week it came under strong pressure from heavy institutional selling early on Friday.

But with the dollar weakening sharply later in the day and sterling moving above the \$1.30 mark, the losses on the week were trimmed to around 1 point.



The variation in forecasts underlines the great uncertainty in many investors' minds. Predictions on the Fed Funds rate range from 6.15 per cent to 10.25 per cent by year-end, while long bond yields range from 9 per cent to 12 per cent. There is still considerable doubt about whether or not there has been a pickup in the recent economic activity. Aubrey G. Lanston says in his latest market letter that the evidence is "far from conclusive."

The confused picture on the outlook for interest rates has been mirrored in the corporate debt market, where treasurers have been trying to decide the best time to come to market. In the event, there has been a rush of corporate issues in the final days of June, which has swelled the overall figures.

According to Securities Data Company, the amount of new corporate debt issued in the second quarter rose by 77 per cent over the first quarter to \$25bn with Salomon Brothers retaining its leadership position, managing just under a quarter of all new debt issues.

William Hall

## FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR	Issued	Price	Yield	Chg. on
U.S. Govt 11 1/2 % 82	100	102 1/2	11.25	+0.01
U.S. Govt 11 % 82	100	102 1/2	10.81	+0.01
U.S. Govt 10 1/2 % 82	100	102 1/2	10.37	+0.01
U.S. Govt 10 % 82	100	102 1/2	9.93	+0.01
U.S. Govt 9 1/2 % 82	100	102 1/2	9.49	+0.01
U.S. Govt 9 % 82	100	102 1/2	9.05	+0.01
U.S. Govt 8 1/2 % 82	100	102 1/2	8.61	+0.01
U.S. Govt 8 % 82	100	102 1/2	8.17	+0.01
U.S. Govt 7 1/2 % 82	100	102 1/2	7.73	+0.01
U.S. Govt 7 % 82	100	102 1/2	7.29	+0.01
U.S. Govt 6 1/2 % 82	100	102 1/2	6.85	+0.01
U.S. Govt 6 % 82	100	102 1/2	6.41	+0.01
U.S. Govt 5 1/2 % 82	100	102 1/2	5.97	+0.01
U.S. Govt 5 % 82	100	102 1/2	5.53	+0.01
U.S. Govt 4 1/2 % 82	100	102 1/2	5.09	+0.01
U.S. Govt 4 % 82	100	102 1/2	4.65	+0.01
U.S. Govt 3 1/2 % 82	100	102 1/2	4.21	+0.01
U.S. Govt 3 % 82	100	102 1/2	3.77	+0.01
U.S. Govt 2 1/2 % 82	100	102 1/2	3.33	+0.01
U.S. Govt 2 % 82	100	102 1/2	2.89	+0.01
U.S. Govt 1 1/2 % 82	100	102 1/2	2.45	+0.01
U.S. Govt 1 % 82	100	102 1/2	2.01	+0.01
U.S. Govt 1/2 % 82	100	102 1/2	1.57	+0.01
U.S. Govt 0 % 82	100	102 1/2	1.13	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.69	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.25	+0.01

U.S. DOLLAR	Issued	Price	Yield	Chg. on
U.S. Govt 11 1/2 % 82	100	102 1/2	11.25	+0.01
U.S. Govt 11 % 82	100	102 1/2	10.81	+0.01
U.S. Govt 10 1/2 % 82	100	102 1/2	10.37	+0.01
U.S. Govt 10 % 82	100	102 1/2	9.93	+0.01
U.S. Govt 9 1/2 % 82	100	102 1/2	9.49	+0.01
U.S. Govt 9 % 82	100	102 1/2	9.05	+0.01
U.S. Govt 8 1/2 % 82	100	102 1/2	8.61	+0.01
U.S. Govt 8 % 82	100	102 1/2	8.17	+0.01
U.S. Govt 7 1/2 % 82	100	102 1/2	7.73	+0.01
U.S. Govt 7 % 82	100	102 1/2	7.29	+0.01
U.S. Govt 6 1/2 % 82	100	102 1/2	6.85	+0.01
U.S. Govt 6 % 82	100	102 1/2	6.41	+0.01
U.S. Govt 5 1/2 % 82	100	102 1/2	5.97	+0.01
U.S. Govt 5 % 82	100	102 1/2	5.53	+0.01
U.S. Govt 4 1/2 % 82	100	102 1/2	5.09	+0.01
U.S. Govt 4 % 82	100	102 1/2	4.65	+0.01
U.S. Govt 3 1/2 % 82	100	102 1/2	4.21	+0.01
U.S. Govt 3 % 82	100	102 1/2	3.77	+0.01
U.S. Govt 2 1/2 % 82	100	102 1/2	3.33	+0.01
U.S. Govt 2 % 82	100	102 1/2	2.89	+0.01
U.S. Govt 1 1/2 % 82	100	102 1/2	2.45	+0.01
U.S. Govt 1 % 82	100	102 1/2	2.01	+0.01
U.S. Govt 1/2 % 82	100	102 1/2	1.57	+0.01
U.S. Govt 0 % 82	100	102 1/2	1.13	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.69	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.25	+0.01

U.S. DOLLAR	Issued	Price	Yield	Chg. on
U.S. Govt 11 1/2 % 82	100	102 1/2	11.25	+0.01
U.S. Govt 11 % 82	100	102 1/2	10.81	+0.01
U.S. Govt 10 1/2 % 82	100	102 1/2	10.37	+0.01
U.S. Govt 10 % 82	100	102 1/2	9.93	+0.01
U.S. Govt 9 1/2 % 82	100	102 1/2	9.49	+0.01
U.S. Govt 9 % 82	100	102 1/2	9.05	+0.01
U.S. Govt 8 1/2 % 82	100	102 1/2	8.61	+0.01
U.S. Govt 8 % 82	100	102 1/2	8.17	+0.01
U.S. Govt 7 1/2 % 82	100	102 1/2	7.73	+0.01
U.S. Govt 7 % 82	100	102 1/2	7.29	+0.01
U.S. Govt 6 1/2 % 82	100	102 1/2	6.85	+0.01
U.S. Govt 6 % 82	100	102 1/2	6.41	+0.01
U.S. Govt 5 1/2 % 82	100	102 1/2	5.97	+0.01
U.S. Govt 5 % 82	100	102 1/2	5.53	+0.01
U.S. Govt 4 1/2 % 82	100	102 1/2	5.09	+0.01
U.S. Govt 4 % 82	100	102 1/2	4.65	+0.01
U.S. Govt 3 1/2 % 82	100	102 1/2	4.21	+0.01
U.S. Govt 3 % 82	100	102 1/2	3.77	+0.01
U.S. Govt 2 1/2 % 82	100	102 1/2	3.33	+0.01
U.S. Govt 2 % 82	100	102 1/2	2.89	+0.01
U.S. Govt 1 1/2 % 82	100	102 1/2	2.45	+0.01
U.S. Govt 1 % 82	100	102 1/2	2.01	+0.01
U.S. Govt 1/2 % 82	100	102 1/2	1.57	+0.01
U.S. Govt 0 % 82	100	102 1/2	1.13	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.69	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.25	+0.01

U.S. DOLLAR	Issued	Price	Yield	Chg. on
U.S. Govt 11 1/2 % 82	100	102 1/2	11.25	+0.01
U.S. Govt 11 % 82	100	102 1/2	10.81	+0.01
U.S. Govt 10 1/2 % 82	100	102 1/2	10.37	+0.01
U.S. Govt 10 % 82	100	102 1/2	9.93	+0.01
U.S. Govt 9 1/2 % 82	100	102 1/2	9.49	+0.01
U.S. Govt 9 % 82	100	102 1/2	9.05	+0.01
U.S. Govt 8 1/2 % 82	100	102 1/2	8.61	+0.01
U.S. Govt 8 % 82	100	102 1/2	8.17	+0.01
U.S. Govt 7 1/2 % 82	100	102 1/2	7.73	+0.01
U.S. Govt 7 % 82	100	102 1/2	7.29	+0.01
U.S. Govt 6 1/2 % 82	100	102 1/2	6.85	+0.01
U.S. Govt 6 % 82	100	102 1/2	6.41	+0.01
U.S. Govt 5 1/2 % 82	100	102 1/2	5.97	+0.01
U.S. Govt 5 % 82	100	102 1/2	5.53	+0.01
U.S. Govt 4 1/2 % 82	100	102 1/2	5.09	+0.01
U.S. Govt 4 % 82	100	102 1/2	4.65	+0.01
U.S. Govt 3 1/2 % 82	100	102 1/2	4.21	+0.01
U.S. Govt 3 % 82	100	102 1/2	3.77	+0.01
U.S. Govt 2 1/2 % 82	100	102 1/2	3.33	+0.01
U.S. Govt 2 % 82	100	102 1/2	2.89	+0.01
U.S. Govt 1 1/2 % 82	100	102 1/2	2.45	+0.01
U.S. Govt 1 % 82	100	102 1/2	2.01	+0.01
U.S. Govt 1/2 % 82	100	102 1/2	1.57	+0.01
U.S. Govt 0 % 82	100	102 1/2	1.13	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.69	+0.01
U.S. Govt 0 % 82	100	102 1/2	0.25	+0.01

ECC 11 1/2 % 82	360	103 1/2	11.25	+0.01
ECC 11 % 82	360	103 1/2	10.81	+0.01
ECC 12 9/16 % 82	100	104 1/4	11.25	+0.01
ECC-Aquahum 10 1/2 % 82	100	103 1/2	10.81	+0.01
Euro Int Bk 11 1/2 % 82	100	103 1/2	10.81	+0.01
Euro Int Bk 11 1/2 % 82	200	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82	100	104 1/4	11.25	+0.01
Euro Int Bk 12 1/2 % 82				



June 1985  
New issue. These securities having been sold, this announcement appears as a matter of record only.



## Lloyds Bank Plc

(Incorporated in England with limited liability)

**U.S.\$750,000,000**

Primary Capital Undated Floating Rate Notes

Lloyds Bank International Limited

Bank of Tokyo International Limited  
Barclays Merchant Bank Limited  
Country Bank Limited  
Credit Suisse First Boston Limited  
Goldman Sachs International Corp.  
LTCB International Limited  
Mitsubishi Finance International Limited  
Morgan Guaranty Ltd  
Orion Royal Bank Limited  
Swiss Bank Corporation International Limited  
S. G. Warburg & Co. Ltd.

Bankers Trust International Limited  
Commerzbank Aktiengesellschaft  
Crédit Lyonnais  
Dresdner Bank Aktiengesellschaft  
IBJ International Limited  
Merrill Lynch Capital Markets  
Samuel Montagu & Co. Limited  
Nomura International Limited  
Sumitomo Finance International  
Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.  
Australia and New Zealand Banking Group Limited  
Bank of China, London Branch  
Banque Nationale de Paris  
Baring Brothers & Co., Limited  
Dai-ichi Kangyo International Limited  
First Interstate Limited  
Generale Bank  
Kiddes Peabody International Limited  
Manufacturers Hanover Limited  
Morgan Stanley International  
Nippon Credit International (HK) Ltd.  
Saudi International Bank  
Shearson Lehman Brothers International  
Standard Chartered Merchant Bank  
Westpac Banking Corporation

Arab Banking Corporation (ABC)  
Bank America Capital Markets Group  
Banque Bruxelles Lambert S.A.  
Banque Paribas Capital Markets  
Citicorp International Bank Limited  
Daiwa Europe Limited  
Fuji International Finance Limited  
Hambros Bank Limited  
Kredietbank International Group  
Morgan Grenfell & Co. Limited  
The National Commercial Bank (Saudi Arabia)  
Sanwa International Limited  
J. Henry Schroder Wagg & Co. Limited  
Société Générale  
Tokai International Limited  
Yamaichi International (Europe) Limited

May, 1985  
This announcement appears as a matter of record only.



## Gruppo Industrie Elettro Meccaniche Per Impianti All'Estero (G.I.E.) S.p.A.

**U.S.\$112,251,302**

Non-Recourse Bill Purchase Facility relating to a contract for the construction of the Layyah Power Station (units 7 and 8) in the Emirate of Sharjah

Arranged by **Lloyds Merchant Banking Group**

Lead Managed by **Lloyds Bank International Limited**  
National Bank of Sharjah  
Amsterdam-Rotterdam Bank N.V.  
Arab Banking Corporation (ABC)  
Arabian General Investment Corp.  
Bahrain Middle East Bank E.C. (BMB)  
The Bank of Tokyo, Ltd.  
The Commercial Bank of Kuwait S.A.K.  
ItaB Group Limited  
Manufacturers Hanover Limited  
The Mitsubishi Bank, Limited

Managed by **Crédit Lyonnais**  
United Gulf Bank (BSC) E.C.

Provided by National Bank of Sharjah  
Arab Banking Corporation (ABC)  
Bahrain Middle East Bank E.C. (BMB)  
The Commercial Bank of Kuwait S.A.K.  
Manufacturers Hanover Trust Company  
Lloyds Bank International Limited  
United Gulf Bank (BSC) E.C.  
ALUBAF Arab International Bank E.C.  
Banque Nationale de Paris  
Grindlays Bank p.l.c.

Amsterdam-Rotterdam Bank N.V. - Dubai Branch  
Arabian General Investment Corp.  
The Bank of Tokyo, Ltd.  
ItaB Group Limited  
The Mitsubishi Bank, Limited  
Crédit Lyonnais  
Banco Atlantico SA, Madrid  
B.A.I.I. (Middle East) E.C.  
The English Association Trust Limited

Italian  
Intermediary **Lloyds Bank International Limited - Milan Branch**

Agent Bank **Lloyds Bank International**

April 1985  
This announcement appears as a matter of record only.



## Bank for Foreign Trade of the USSR

**£150,000,000**

Medium Term Loan

Arranged by **Lloyds Merchant Banking Group**

Lead Managed by **Banca Commerciale Italiana, London Branch**  
Banco di Roma, London Branch  
Banque Paribas (London)  
Lloyds Bank International Limited  
The Sumitomo Bank Limited  
Credit Lyonnais (London Branch)  
IBJ International Limited  
The Kyowa Bank, Ltd.  
The Saitama Bank, Ltd.

Managed by **Credit Agricole, London Branch**  
Istituto Bancario San Paolo di Torino, London Branch

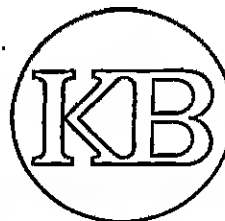
Co-Managed by **Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V.**  
The Mitsui Trust and Banking Company Limited  
The Royal Trust Company of Canada  
State Bank of India

Provided by Banca Commerciale Italiana, London Branch  
Banque Paribas (London)  
The Sumitomo Bank Limited  
IBJ International Limited  
The Saitama Bank, Ltd.  
Istituto Bancario San Paolo di Torino, London Branch  
The Mitsui Trust and Banking Company Limited  
Kredietbank N.V. (London Branch)  
The Toyo Trust and Banking Company, Limited.  
Banco de Bilbao S.A.  
The Chuo Trust and Banking Company, Limited  
Royal Trust Bank (Isle of Man)  
Swiss Bank Corporation

Banco di Roma, London Branch  
Lloyds Bank International Limited  
Crédit Lyonnais (London Branch)  
The Kyowa Bank, Ltd.  
Credit Agricole, London Branch  
Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V.  
State Bank of India  
The Royal Trust Company of Canada  
Arab African International Bank, London Branch  
Bank of New Zealand  
Banco di Santo Spirito, London Branch,  
Licensed Deposit Bank  
Royal Trust Bank (Jersey) Limited

Agent Bank **Lloyds Bank International**

June 1985  
This announcement appears as a matter of record only.



## Kredietbank N.V.

**US\$100,000,000**

Revolving Credit Facility

Arranged by **Lloyds Merchant Banking Group**

Managed by **Lloyds Bank International Limited**  
Algemene Bank Nederland N.V.  
Banco di Roma  
Bank of Yokohama (Europe) S.A.  
The Fuji Bank, Limited  
Girozentrale und Bank der österreichischen Sparkassen.  
Kansallis-Osake-Pankki  
Mitsubishi Bank (Europe) S.A.  
The Mitsui Bank, Limited  
Nederlandsche Middenstandsbank NV  
Société Générale Alsacienne de Banque  
Union Bank of Finland Ltd  
Westdeutsche Landesbank Girozentrale

Agent Bank **Lloyds Bank International**



**Lloyds  
Merchant  
Bank**

The above transactions were arranged by  
the Capital Markets Group of Lloyds Merchant Bank Limited.



## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## CORPORATE FINANCE

## Italian equities plug into the Euromarket

LEADING Italian private sector companies are planning to take advantage of the extraordinary boom on the Milan bourse and the rising credit rating of Italy to do something which would have been unthinkable as recently as 12 months ago.

They are offering Euro-market investors bond issues which are convertible into Italian domestic equities.

The trend was set in May when Pirelli, Italy's leading tyre and cables group, announced plans to launch (later this summer) L300bn of convertible Eurobonds. It has since emerged that Montedison, the Milan-based chemicals giant, is successfully placing L300bn of convertible bonds through Goldman Sachs and Daiwa Europe.

Last week CIR, Sig Carlo de Benedetti's Turin-based financial and industrial holding company (which owns, among other things, 13.7 per cent of Olivetti), disclosed plans for a September offering of an 80m European currency unit (Ecu)

bond convertible into Milan quoted shares, the first-ever such Eurobond issue.

The reasons behind the Pirelli, Montedison and CIR convertibles are threefold. Top Italian corporate names have profoundly improved their balance sheets over the past year or two and have a more confident international outlook. Such companies as Fiat, Olivetti, Pirelli or Snia-BPD are not only producing better profits and fully audited and consolidated accounts; they are also working hard to improve their debt:equity ratios.

Second, the Milan bourse has been experiencing a spectacular boom. Fuelled by significant foreign investor interest and by the funds available to the newly authorised Italian unit trusts, the Banca Commerciale Italiana (BCI) bourse index has risen by 47.7 per cent since January 2 of this year. Meanwhile, Consob, the stock market watchdog authority, is finally beginning to carry out its duties effectively.

Finally, following the Third World debt crisis, international investors have turned their attention back to good quality European risk, meaning that Italy is attracting significant interest and Italian state borrowers have found a warm welcome from the capital markets.

CIR, which had net income of L28.7bn on sales of L331.8bn in 1984, is the de Benedetti family's holding company. Aside from the Olivetti stake, CIR also owns 4 per cent of Pirelli, 28 per cent of Euromobiliare, the Milan investment bank, plus banking and engineering interests. CIR also employs 3,000 people in the manufacture of tobacco machinery, tanning and automotive effects.

The September Ecu issue will be offered on the Euro-market. There are plans to place up to 10 per cent of the bonds privately in the U.S. plus an unspecified portion in Japan.

Montedison, meanwhile, is raising L100bn through the offer of seven-year paper (paying 10 per cent fixed interest) convertible into Milan-listed

shares of two subsidiaries — Selin, the energy company, and Meta, which holds a stake in Rizzoli, the publishing group.

Some L25bn of the bond, aimed at Italian small investors, sold out within hours of its launch by Mediobanca in Milan last Tuesday. The remaining L75bn is earmarked for institutional investors, of which Goldman Sachs is placing L30bn in Europe and the Far East.

The aim of the Montedison issue, as with CIR and Pirelli, is to use the proceeds to shift debt from short to long-term. Dr Lino Cardarelli, group finance director, said the goal was to achieve a 75-25 mix between medium and short-term debt on Montedison's L434bn total debt (as at last December). A new capital increase will take Montedison's capital to L1,110bn, but Dr Cardarelli acknowledged that this still leaves the group with a lopsided debt:equity ratio which needs attention.

Nonetheless, under the chairmanship of Sig Mario Schimberni, Montedison has been

staging a radical reorganisation and last year cut losses dramatically. It is predicting a profit this year after many years in the red.

Foreign investor interest in Montedison shares is running high. Dr Cardarelli reports, and analysts estimate that up to 15 per cent of Montedison may already be in foreign institutional hands.

The true significance of these three relatively small bond issues is that foreign investors appear to be seriously interested in Italian corporate names and in a play on the Milan bourse.

Notwithstanding the increasingly sordid political squabble over the attempted privatisation of the IRI state holding group's SME foods company, which is seen as an embarrassment by most Italian businessmen and bankers, the Italian private sector does seem capable of raising funds on the international capital market.

Alan Friedman

## Commercial paper issue by Thai Oil

By Boonsong K'Thana in Bangkok

THAI OIL REFINERY Company (TORC) has become the country's first borrower to enter the commercial paper market in the U.S.

A group of five banks has supported the \$50m offering as part of Torc's short-term fund-raising programme.

The five managers are Mellon Bank, Security Pacific Bank of Nova Scotia, Grindlays, and Thailand's Siam Commercial Bank. Mellon Bank has provided a letter of credit and Goldman Sachs is acting as commercial paper dealer.

The paper has been rated "prime-1" by Moody's.

## Merrill in Korea

Merrill Lynch of the U.S. and Sangyong Securities, a South Korean broker, have signed an agreement to co-operate in developing business in Korea and in international capital markets.

The agreement covers investment banking, brokerage, research and training and breaks a pattern set in other recent co-operation in developing business in Korea and in international capital markets.

## Grundig proposes to cut jobs in Portugal

BY JOHN DAVIES IN FRANKFURT

GRUNDIG, the West German audio video concern, is planning to cut about 1,000 jobs at its factory in Portugal as part of restructuring efforts.

The company has been looking closely at all its factories in West Germany and abroad since coming under the management control of Philips of the Netherlands more than a year ago.

It has now made clear that production of television sets will be reduced at its works in Braga, Portugal, and the number of employees will be cut from 3,200 to 2,200.

Grundig has also put workers

on short time at its television works at Barcelos in Spain, as a result of increasing competition and pressure on prices in the local consumer electronics market.

It has already been operating short time working at its Rovereto plant in Italy, which has been suffering from a shortage of orders.

The number of employees at Grundig's West German and foreign plants has been steadily falling from a peak of 38,460 in 1979 to below 24,000.

Grundig recently proposed nearly 3,000 dismissals in West Germany, but under a plan sub-

sequently agreed with union officials, it is offering to help finance retraining for workers as well as other measures.

The company has given a commitment that production will continue at its plant at Georgensmuend in West Germany, but has said some of the 650 jobs there must go. It also recently committed itself to keeping its Vienna factory in operation.

Grundig has already announced that it expects to report a much reduced loss of DM 185m (\$61m) for the year ended March 1985 compared with DM 286m previously.

But Mr Hermann Koning, the Dutch chief executive sent in by Philips, has stressed that further measures will be necessary to ensure the company's viability.

At the same time Grundig is pushing ahead with a new joint venture with United Technologies of the U.S. to produce electrical cable and other parts for motor vehicles.

Grundig has a 25.1 per cent stake in a company formed recently for this purpose, while a United Technologies subsidiary has a 74.9 per cent stake.

Production is due to start shortly at Beyreuth in Bavaria.

## Times Mirror buyback

BY OUR NEW YORK STAFF

THE Los Angeles-based Times Mirror newspaper publishing group is to spend up to \$450m to acquire as many as 7.5m of its own shares, or 10.4 per cent of the group's outstanding equity, at a price of \$60 a share.

On Friday, the shares closed at \$53.

No explanation of the company's decision was given in the brief announcement of the

plan. But the move follows similar steps by many other U.S. groups, which have launched share buyback programmes to make themselves less vulnerable to takeover offers by raising their share price and increasing debt.

Last year, Times Mirror achieved earnings of \$212m, or \$3.00 a share, on sales of \$2.8bn.

## U.S. insurer in Japan

BY CARLA RAPOPORT IN TOKYO

MUTUAL and United of Omaha, one of the world leaders in private health insurance, has decided to set up in Japan. Mutual will be the first foreign health insurer to start operations in Japan for four years.

The company said there was a growing need for private health care in Japan as the country's comprehensive state

health care scheme continues to be squeezed by government spending constraints.

"Our intention is to create a Japanese company for Japanese people. Rather than go forward with what worked well in the U.S., we have developed a programme for what is needed here," said Mr Bob Collins, executive president for international development.

## NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	As. Rts. years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
U.S. DOLLARS	50	2000	15	7 1/4	100	CSFB	7.250
Vacuum Int'l. \$1	30	1995	16	3 1/2	100	Nomura Int.	3.500
Yokohama Spec. \$1	50	1995	5	7 1/2	100	Nomura Int.	7.125
BSM \$1	75	2000	16	8 3/4	100	CSFB	0.750
Man. Harover (a) \$1	100	1997	12	3/4	100	Merrill Lynch	-
S. Naz. Lavore (a) \$1	150	1992	7	3/4	100	Salomon Brothers	-
Int. Australia \$1 (a) \$1	100	1997	12	3/4	100	Salomon Brothers	-
NTT \$1	100	1992	7	1/2	95 1/4	Morgan Guaranty	19.051
Yokohama Spec. \$1	35	1985	19	(3 1/4)	100	Nomura Int.	-
Yokohama Spec. \$1	300	1997	12	3/4	100	Salomon Brothers	-
Wells Fargo (a) \$1	100	1992	7	1/4	100	S.S. Warburg	-
Wells Fargo (a) \$1	100	1997	12	3/4	100	Goldman Sachs	-
Fortune Fed. \$1 (a) \$1	150	1992	7	1/4	100	CSFB	9.534
Sturges \$1	170	1990	5	1/2	100 1/4	Deutsche Bank	18.082
Sturges \$1	250	1995	5	10 1/4	100 1/4	Banque Paribas	-
Sturges \$1	100	2000	15	13	100	Mitsubishi Fin. Int.	-
Rockwell Int. \$1	200	1990	5	8 3/4	99 3/4	UBS (Swiss)	18.040
Yokohama Spec. \$1 (a) \$1	100	1997	12	3/4	100	Salomon Brothers	-
Yokohama Spec. \$1	100	1992	7	1/4	100 1/4	Country Bank	-
Yokohama Spec. \$1	100	1995	5	19 1/2	100	CSFB	10.500
Yokohama Spec. \$1	102.0	1998	11	10 3/4	100	CSFB	10.875
Yokohama Spec. \$1	37.2	2010	21	0	100	CSFB	11.750
CANADIAN DOLLARS							
Southland Canada \$1	50	1992	7	12	100 1/2	Orion Royal Bank	11.891
AUSTRALIAN DOLLARS							
New Sth Wales Treas. \$1	50	1992	7	12 1/2	100 1/2	Deutsche Bank	12.797
Midland Int. Aus. \$1	50	1990	5	13 1/2	100 1/4	Bankers Trust Int.	13.339
DFI Finance \$1	50	1990	5	13	100 1/4	Orion Royal Bank	12.823
NEW ZEALAND DOLLARS							
Toronto-Dominion \$1	50	1988	3	10 1/4	100	Goldman Sachs	15.125
S. AFRICA							
Inter-Cent. Rubber \$1	150	2000	16	9	36.5	Deutsche Bank	6.950
Inter-Cent. Rubber \$1	150	1995	19	7	115	RHB-Bank	5.852
Inter-Cent. Rubber \$1	200	1990	5	7	100 1/4	Commerzbank	6.500
SWISS FRANCES							
Swiss Savings \$1	25	1990	-	1 1/4	100	Swiss Valbank	1.825
Harmon Co. \$1	140	1990	-	1 1/2	100	Banca del Gottardo	1.590
Japan Fin. Corp. \$1	100	1995	-	5 1/2	100 1/4	Credit Suisse	5.467
United Tech. \$1	75	1995	-	5 1/2	100	UBS	5.125
Swisschem Chem. \$1	100	1995	-	5 1/2	99 1/4	SBC	5.584
Yokohama Spec. \$1	100	1995	-	15 1/2	-	Credit Suisse	-
Yokohama Spec. \$1	100	2005	-	16 1/2	-	Credit Suisse	-
Yokohama Spec. \$1	100	1995	-	16 1/2	-	Handelsbank	-
Yokohama Spec. \$1	70	1990	-	16 1/2	100	Credit Suisse	-
Yokohama Spec. \$1	150	1995	-	16 1/2	-	UBS	-
Yokohama Spec. \$1	100	1993	-	16 1/2	100	Rap. Gotzweiler, K.B.	-
Yokohama Spec. \$1	30	1990	-	16 1/2	100	Handelsbank	-
EURO DOLLARS							
Edis \$1	60	1992	7	8 1/4	100	Banque Indusuisse	8.750
Edis \$1	15	1982	7	9 1/4	100	BIL	8.250
Yokohama Spec. \$1	60	1991	5 1/4	8	100	Wid. & Sons, (Eur)	8.800
Yokohama Spec. \$1	25	1990	5	9	100	Banque Paribas	9.000
Yokohama Spec. \$1	50	1988	3	9	100	Banque Paribas	9.000
STERLING							
Credit Foncier \$1	100	2014	27 1/2	19 1/4	85.595	Banking Brothers	11.500
FRENCH FRANCES							
Michelin \$1	500	2000	14 1/2	(7-7 1/2)	100	Lazard Freres, CSFB	-
BELGIAN FRANCES							
EBI \$1	4.5bn	1995	10	10 1/2	100 1/4	Generale Bank	18.450
LUXEMBOURG FRANCES							
EBI \$1	300	1991	8	9 1/4	100 1/2	Cr. Lyonnais Lux.	8.130
Soc. Generale \$1	300	1990	5	9 1/4	100 1/4	Sogefal Lux.	8.153
Hoge Generey \$1	300	1990	5	9 1/4	100	SGE	8.125
Den Danske \$1	300	1990	5	9 1/4	100 1/4	Rap. Paribas Lux.	8.105
Ind. BA Finance \$1	600	1995	9 1/2	9 1/4	100 1/4	Kreditbank Int.	-
YEN							
BBCE \$1	40bn	1995	8	6.7	99.55	Nomura Sec.	6.763

\* Not yet priced. † Final terms. \*\* Private placement. ‡ Floating rate note. § With equity warrants. ¶ Maximum coupon. (a) 1/4 over 3m Libor. (b) 1/4 over 6m Libor. (c) 1/4 over 9m Libor. (d) 1/4 over 12m Libor. (e) 1/4 over 18m Libor. (f) 1/4 over 24m Libor. (g) 1/4 over 36m Libor. (h) 1/4 over 48m Libor. (i) 1/4 over 60m Libor. (j) 1/4 over 72m Libor. (k) 1/4 over 84m Libor. (l) 1/4 over 96m Libor. (m) 1/4 over 108m Libor. (n) 1/4 over 120m Libor. (o) 1/4 over 132m Libor. (p) 1/4 over 144m Libor. (q) 1/4 over 156m Libor. (r) 1/4 over 168m Libor. (s) 1/4 over 180m Libor. (t) 1/4 over 192m Libor. (u) 1/4 over 204m Libor. (v) 1/4 over 216m Libor. (w) 1/4 over 228m Libor. (x) 1/4 over 240m Libor. (y) 1/4 over 252m Libor. (z) 1/4 over 264m Libor. (aa) 1/4 over 276m Libor. (ab) 1/4 over 288m Libor. (ac) 1/4 over 300m Libor. (ad) 1/4 over 312m Libor. (ae) 1/4 over 324m Libor. (af) 1/4 over 336m Libor. (ag) 1/4 over 348m Libor. (ah) 1/4 over 360m Libor. (ai) 1/4 over 372m Libor. (aj) 1/4 over 384m Libor. (ak) 1/4 over 396m Libor. (al) 1/4 over 408m Libor. (am) 1/4 over 420m Libor. (an) 1/4 over 432m Libor. (ao) 1/4 over 444m Libor. (ap) 1/4 over 456m Libor. (aq) 1/4 over 468m Libor. (ar) 1/4 over 480m Libor. (as) 1/4 over 492m Libor. (at) 1/4 over 504m Libor. (au) 1/4 over 516m Libor. (av) 1/4 over 528m Libor. (aw) 1/4 over 540m Libor. (ax) 1/4 over 552m Libor. (ay) 1/4 over 564m Libor. (az) 1/4 over 576m Libor. (ba) 1/4 over 588m Libor. (bb) 1/4 over 600m Libor. (bc) 1/4 over 612m Libor. (bd) 1/4 over 624m Libor. (be) 1/4 over 636m Libor. (bf) 1/4 over 648m Libor. (bg) 1/4 over 660m Libor. (bh) 1/4 over 672m Libor. (bi) 1/4 over 684m Libor. (bj) 1/4 over 696m Libor. (bk) 1/4 over 708m Libor. (bl) 1/4 over 720m Libor. (bm) 1/4 over 732m Libor. (bn) 1/4 over 744m Libor. (bo) 1/4 over 756m Libor. (bp) 1/4 over 768m Libor. (bq) 1/4 over 780m Libor. (br) 1/4 over 792m Libor. (bs) 1/4 over 804m Libor. (bt) 1/4 over 816m Libor. (bu) 1/4 over 828m Libor. (bv) 1/4 over 840m Libor. (bv) 1/4 over 852m Libor. (bw) 1/4 over 864m Libor. (bx) 1/4 over 876m Libor. (by) 1/4 over 888m Libor. (bz) 1/4 over 900m Libor. (ca) 1/4 over 912m Libor. (cb) 1/4 over 924m Libor. (cc) 1/4 over 936m Libor. (cd) 1/4 over 948m Libor. (ce) 1/4 over 960m Libor. (cf) 1/4 over 972m Libor. (cg) 1/4 over 984m Libor. (ch) 1/4 over 996m Libor. (ci) 1/4 over 1008m Libor. (cj) 1/4 over 1020m Libor. (ck) 1/4 over 1032m Libor. (cl) 1/4 over 1044m Libor. (cm) 1/4 over 1056m Libor. (cn) 1/4 over 1068m Libor. (co) 1/4 over 1080m Libor. (cp) 1/4 over 1092m Libor. (cq) 1/4 over 1104m Libor. (cr) 1/4 over 1116m Libor. (cs) 1/4 over 1128m Libor. (ct) 1/4 over 1140m Libor. (cu) 1/4 over 1152m Libor. (cv) 1/4 over 1164m Libor. (cw) 1/4 over 1176m Libor. (cx) 1/4 over 1188m Libor. (cy) 1/4 over 1200m Libor. (cz) 1/4 over 1212m Libor. (da) 1/4 over 1224m Libor. (db) 1/4 over 1236m Libor. (dc) 1/4 over 1248m Libor. (dd) 1/4 over 1260m Libor. (de) 1/4 over 1272m Libor. (df) 1/4 over 1284m Libor. (dg) 1/4 over 1296m Libor. (dh) 1/4 over 1308m Libor. (di) 1/4 over 1320m Libor. (dj) 1/4 over 1332m Libor. (dk) 1/4 over 1344m Libor. (dl) 1/4 over 1356m Libor. (dm) 1/4 over 1368m Libor. (dn) 1/4 over 1380m Libor. (do) 1/4 over 1392m Libor. (dp) 1/4 over 1404m Libor. (dq) 1/4 over 1416m Libor. (dr) 1/4 over 1428m Libor. (ds) 1/4 over 1440m Libor. (dt) 1/4 over 1452m Libor. (du) 1/4 over 1464m Libor. (dv) 1/4 over 1476m Libor. (dw) 1/4 over 1488m Libor. (dx) 1/4 over 1500m Libor. (dy) 1/4 over 1512m Libor. (dz) 1/4 over 1524m Libor. (ea) 1/4 over 1536m Libor. (eb) 1/4 over 1548m Libor. (ec) 1/4 over 1560m Libor. (ed) 1/4 over 1572m Libor. (ee) 1/4 over 1584m Libor. (ef) 1/4 over 1596m Libor. (ef) 1/4 over 1608m Libor. (eg) 1/4 over 1620m Libor. (eh) 1/4 over 1632m Libor. (ei) 1/4 over 1644m Libor. (ej) 1/4 over 1656m Libor. (ek) 1/4 over 1668m Libor. (el) 1/4 over 1680m Libor. (em) 1/4 over 1692m Libor. (en) 1/4 over 1704m Libor. (eo) 1/4 over 1716m Libor. (ep) 1/4 over 1728m Libor. (eq) 1/4 over 1740m Libor. (er) 1/4 over 1752m Libor. (es) 1/4 over 1764m Libor. (et) 1/4 over 1776m Libor. (eu) 1/4 over 1788m Libor. (ev) 1/4 over 1800m Libor. (ev) 1/4 over 1812m Libor. (ew) 1/4 over 1824m Libor. (ex) 1/4 over 1836m Libor. (ey) 1/4 over 1848m Libor. (ez) 1/4 over 1860m Libor. (fa) 1/4 over 1872m Libor. (fb) 1/4 over 1884m Libor. (fc) 1/4 over 1896m Libor. (fd) 1/4 over 1908m Libor. (fe) 1/4 over 1920m Libor. (ff) 1/4 over 1932m Libor. (fg) 1/4 over 1944m Libor. (fh) 1/4 over 1956m Libor. (fi) 1/4 over 1968m Libor. (fi) 1/4 over 1980m Libor. (fj) 1/4 over 1992m Libor. (fk) 1/4 over 2004m Libor. (fl) 1/4 over 2016m Libor. (fl) 1/4 over 2028m Libor. (fm) 1/4 over 2040m Libor. (fn) 1/4 over 2052m Libor. (fo) 1/4 over 2064m Libor. (fp) 1/4 over 2076m Libor. (fq) 1/4 over 2088m Libor. (fr) 1/4 over 2100m Libor. (fr) 1/4 over 2112m Libor. (fs) 1/4 over 2124m Libor. (ft) 1/4 over 2136m Libor. (ft) 1/4 over 2148m Libor. (fu) 1/4 over 2160m Libor. (fv) 1/4 over 2172m Libor. (fv) 1/4 over 2184m Libor. (fw) 1/4 over 2196m Libor. (fx) 1/4 over 2208m Libor. (fx) 1/4 over 2220m Libor. (fy) 1/4 over 2232m Libor. (fy) 1/4 over 2244m Libor. (fz) 1/4 over 2256m Libor. (ga) 1/4 over 2268m Libor. (gb) 1/4 over 2280m Libor. (gc) 1/4 over 2292m Libor. (gd) 1/4 over 2304m Libor. (gd) 1/4 over 2316m Libor. (ge) 1/4 over 2328m Libor. (ge) 1/4 over 2340m Libor. (gf) 1/4 over 2352m Libor. (gf) 1/4 over 2364m Libor. (gg) 1/4 over 2376m Libor. (gg) 1/4 over 2388m Libor. (gh) 1/4 over 2400m Libor. (gh) 1/4 over 2412m Libor. (gh) 1/4 over 2424m Libor. (gi) 1/4 over 2436m Libor. (gi) 1/4 over 2448m Libor. (gi) 1/4 over 2460m Libor. (gj) 1/4 over 2472m Libor. (gj) 1/4 over 2484m Libor. (gj) 1/4 over 2496m Libor. (gk) 1/4 over 2508m Libor. (gk) 1/4 over 2520m Libor. (gk) 1/4 over 2532m Libor. (gl) 1/4 over 2544m Libor. (gl) 1/4 over 2556m Libor. (gl) 1/4 over 2568m Libor. (gl) 1/4 over 2580m Libor. (gm) 1/4 over 2592m Libor. (gm) 1/4 over 2604m Libor. (gm) 1/4 over 2616m Libor. (gm) 1/4 over 2628m Libor. (gn) 1/4 over 2640m Libor. (gn) 1/4 over 2652m Libor. (gn) 1/4 over 2664m Libor. (gn) 1/4 over 267



## TECHNOLOGY

## Marconi turns some of its swords into ploughshares

BY GEOFFREY CHARLISH

IN THE face of stagnating demand in its traditional military markets for instrumentation, simulation and test equipment, Marconi Instruments' Scottish establishment has been working hard to apply the know-how acquired in these areas to commercial products.

The effort is paying off. Already this year it has won £7m in civilian orders, about 30 per cent of sales at its plant in Donibristle, Fife. More than 1,300 people are employed there, double the 1980 figure.

Mr Roy Titchmarsh, general sales manager, says military spending is static, with much of it going to the Trident programme.

Dr Saul Lanyado, general manager, who recently joined the GEC subsidiary from Ciba Geigy's Ilford photographic company, aims to raise the share of civilian products to 50 per cent in the next few years.

He hopes to do this by exploring new markets for software-based products like simulators for teaching train drivers and expert systems, in which specialised knowledge is held in a computer for use by non-experts.

The company has just won a contract — against strong

Japanese competition — to supply a three-cab driver training simulator to the Mass Rapid Transit Company in Singapore.

The expertise came from Marconi's long experience in simulating the crew working environment in Nimrod aircraft. This is a maritime reconnaissance aircraft equipped with costly sonar, radar, communications and weapons systems. It is expensive to fly, and in the simulator the crew experiences the events and conditions of an actual mission — at a fraction of the cost.

In the much simpler railway train system, the trainee, sitting in a duplicated driver's cab, has a forward view of the track which speeds up, slows down or stops according to his use of the motor control and brake levers.

Track images held on video disk are projected at appropriate speed on to a screen the trainee views through the cab window. Cab indicators like motor current and automatic train control are appropriately activated.

Outside the training cubicle the instructor can test the trainee by introducing faults and emergencies using his own console and a TV monitor. The

trainee driver's actions are all logged — even his effectiveness in economising on power.

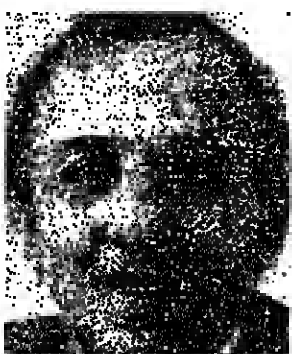
Marconi thinks train simulators are likely to prove popular in countries with little experience of railways and where it is difficult, expensive or perhaps dangerous to train drivers on the track itself.

Its first system, sold to South Korea, is in use in Seoul 16 hours a day and has trained 500 drivers.

Another new area at Donibristle is expert systems. An initial £100,000 contract, from Allen and Hanbury, the pharmaceutical company, was for the development of a system for training in the diagnosis and treatment of asthma.

Based on the IBM personal computer, the system uses a touch sensitive monitor and a video disk player that holds pictures and data. The two key features of the software are an information database, or knowledge store, built up by a panel of asthma experts, and an "inference structure." These allow the machine to draw conclusions from the case details entered during a question and answer session between the trainee and the system.

If the question is not understood, a "help" box is touched



Saul Lanyado: Search for new markets.

and the software chooses the appropriate 30-second video presentation from a collection of 15 held on the videodisk. Most of these are short films of actual consultations on the same subject.

When all the questions are answered, the software will determine if the notional patient represented by the trainee's input has asthma and to what extent. A summary of the input data that led to these conclusions and a course of treatment is displayed on the screen.

Five of the systems, known as Adept, are being provided by Allen and Hanbury for UK teaching hospitals, free of charge.

Adept is another example of the transfer of military technology to civil use by Marconi — the company has many years' experience of using computer-based systems to train servicemen in the use of electronic systems.

## Star Wars lasers will help in treatment of blocked arteries

Peter Marsh looks at excimer lasers

EXCIMER LASERS, a relatively new device favoured by Star Wars planners as a means of shooting down missiles, could have a far more mundane use — making micro-circuits and treating people with blocked arteries.

Under the \$26bn U.S. Strategic Defence Initiative, the Pentagon is funding several groups to examine how excimer lasers could help defend the West against nuclear attack.

Heliometrics, a company in San Diego, California, is meanwhile concentrating its efforts on using the lasers in materials research and medicine.

Excimer lasers require mixtures of two types of gas, a halogen such as fluorine and an inert gas such as argon or xenon. When the two combine under the stimulus of electric power, the result is pulses of light rays that are coherent, that is, they all have the same wavelength.

One advantage of excimer lasers is that they produce beams in short pulses of a fraction of a second in which the high quantity of energy can be stored. Many other lasers, in contrast, produce radiation in a continuous stream — much like the flow of light rays from the sun.

A second attribute is that excimer radiation is at a relatively short wavelength, at 157 nanometres (one-billionth of a metre), which is in the ultraviolet section of the electromagnetic spectrum.

As a result, the radiation can

be used to define patterns in which adjacent lines are very close together. Such high-resolution optical systems could feature in semiconductor manufacture, in which dense circuitry patterns are printed on to wafers of silicon.

Several materials and electronics enterprises have bought excimer lasers from the San Diego company, which is considered a world leader.

Heliometrics says its customers wish to keep their activities secret.

In semiconductor research, scientists have speculated that the widespread use of excimer lasers could make the production of chips far simpler. In defining patterns onto silicon, ultraviolet light from a conventional source such as a lamp is normally used.

The laser beam, in contrast, could be of higher energy. It would also concentrate all its rays into a single wavelength.

In conventional semiconductor manufacturing, layers of materials called resists have to be deposited on the silicon which are chemically transformed by ultraviolet light.

The resists later have to be chemically developed, so as to open up cavities in the layers on top of the silicon through which the "foreign" atoms (boron or arsenic for example) are shot to influence the electronic characteristics of the semiconductor.

Excimer lasers, in contrast, could open up the cavities sim-

ply by burning away material, so reducing the number of steps needed in chip production.

In the U.S., IBM has been among the leaders in examining the use of excimer lasers in chip production. In Britain, the Science and Engineering Research Council's Rutherford Appleton Laboratory near Oxford is doing similar work.

In medical applications, researchers are examining excimer lasers as tools to destroy the plaque (fatty deposits that can gradually clog arteries particularly in the legs or around the heart).

Such deposits are a major cause of strokes. They are normally dealt with by opening up new channels for the blood to flow through — by-pass surgery — which is expensive.

Rather than vaporise deposits in the arteries, excimer radiation is of the correct wavelength to bring about chemical changes in the material, which could break up the plaque and cause it to be swept away with the blood in a self-cleaning operation.

Assuming that doctors could perfect techniques to aim the radiation accurately at the plaque through optical fibres passed into the arteries, this could lead eventually to a safe and accurate way to unblock arteries.

Some doctors have already tried out the technique, called laser angioplasty, using light from other types of lasers such as argon devices.

## Problems of space laser guns

STAR WARS planners are interested in excimer lasers because of the low wavelength of the emitted radiation. This, in turn, would reduce the size of the mirrors that have to be used with the lasers to focus their rays on to targets.

The mirrors would probably be on large orbiting platforms while the lasers could either be in space with them or on the ground.

The job of the lasers would be to blast holes in the outer skin of missiles in flight, knocking them off course or destroying vital electronic parts.

The most commonly pro-

posed laser for space weapons is the chemical laser, which radiates light at a wavelength of 2,700 nanometres, in the infrared section. Star Wars scientists have realised that unless they use lasers of extraordinarily high power the mirrors required for chemical lasers would have to be at least 10 metres in diameter, whether or not such mirrors would be impracticable.

Groups working on applications of lasers for Star Wars include the Los Alamos National Laboratory in New Mexico and Western Research, a company in San Diego.

Problems over use of excimer lasers in Star Wars include their low efficiency — with current excimer lasers, only 2 per cent of electrical power (at a maximum) is turned into light energy.

Also the devices would have to operate at much higher powers than the devices now on sale. Heliometrics sells excimer lasers costing \$100,000 to \$300,000 that produce up to 100 pulses of light a second, each pulse carrying 1.5 Joules. Lasers for Star Wars, in contrast, would have to produce up to 10,000 Joules per pulse to be effective.

## BLOCK PAVING

Supply and Lay



ELTHORNE  
OF  
WEST DRAYTON  
Tel (0895) 443629

## Library's computer link to U.S.

A NEW transatlantic telecommunications link will enable the British Library to co-operate with several libraries in the U.S.

The link followed an agreement with the Research Libraries Group, a U.S. consortium of more than 30 research libraries that provides computer access to bibliographic records. The U.S. National Library of Medicine is also on the link.

The main activity affected by the link is the Eighteenth Century Short Title Catalogue, an international project abandoned by the British Library.

Two editorial teams in London and Baton Rouge, Louisiana, update their files at present by exchanging computer tapes. The link will enable them to work simultaneously on the same database and improve the accuracy of the catalogue.

Users of Blaise-Link, the British Library's information service, will continue to have access to the catalogue in the same way, but with less time and effort.

Plans have also been made to add British Library microfilm records to an existing register of master copies at the Research Libraries Information Network in Palo Alto, California, to aid preservation efforts.

## Loading bay safety move

A DEVICE to improve safety in loading bays has been launched in the UK by Sovex Marshall.

Dok-Lok is an electro-mechanically powered steel hook fastened to the loading dock, which locks on to a vehicle's under-run bar. It is already used in the U.S., where product liability regulations and the possibilities of large insurance claims have served as an incentive to safety.

## Forbes Lake of the Ozarks

## OUR LAKE LAND PARADISE AWAITS YOU

Your own vacation land on the fabulous Lake of the Ozarks in Central Missouri. Right in the heartland of America. Away from cities, noise, pollution and the rat-race of the workaday world. We call it Forbes Lake of the Ozarks... about 12,800 acres of scenic paradise. Not for everybody, but maybe for you.

The Ozarks region, which dominates most of southern Missouri, has long been lost in the legends of the Osage Indians. Now that the magnificent Truman Lake has been completed, it's merely a matter of time before the beauty of this spectacular recreational area attracts vacationers and settlers from every corner of the continent.

If yours is a family of water-sports lovers—swimming, boating, fishing, water-skiing—it's hard to imagine a more perfect setting for you. Forbes Lake of the Ozarks is nestled at the headwaters of the big Lake. Here it almost kisses Truman Lake on the west, then winds eastward through stands of hickory and oak for over 90 miles to the bustling hub of the summer resort area at Bagnell Dam.

Forbes Inc., publishers of Forbes Magazine, through its subsidiary, Sangre de Cristo Ranches Inc., is offering the opportunity of a lifetime for you to acquire one or more acres of our choice Missouri lakeland among the breathtaking "hills 'n' hollows" country of the Lake of the Ozarks.

Forbes' private park is the ideal place to build a second home... that special place where you may now or one day choose to retire. Here among the friendly, down-home folks who have made Missouri famous for its hospitality. These are salt-of-the-earth people who are pleased to welcome good neighbors to their easygoing way of life.

There's no better time than right now to find out if Forbes Lake of the Ozarks is the place for you. All our homesites, including lake front and lake view, will be a minimum size of one acre—ranging to over three acres. Cash prices start at \$6,000.\* One or more acres of this incredibly beautiful lakeland can be yours for the modest payment of \$60 per month, with easy credit terms available.

For complete information, including pictures, maps and full details on our liberal money-back and exchange privileges, please fill in the coupon and mail to: Forbes Europe Inc., P.O. Box 86, London SW11 3UT England.

\*Prices subject to change without notice

## Forbes Europe Inc.

P.O. Box 86, London SW11 3UT England

Without obligation, please send me more information on Forbes Lake of the Ozarks.

PLEASE PRINT



Name

Address

City/State/Zip

Telephone

## CREDIT IMMOBILIER ET HOTELIER

KUWAIT DINARS 10,000,000 8 1/2 %

GUARANTEED BONDS DUE 1985

In accordance with Clause 4(a) of the terms and conditions of the above bonds, the holders of the said bonds are informed that the notice bearing the following coupon numbers have been called for redemption at par on 1st August 1985:

BONDS OF KD 5,000 EACH			
6 to 10	41 to 85	191 to 195	101 to 105
131 to 135	261 to 265	311 to 315	321 to 325
371 to 375	401 to 405	431 to 435	461 to 465
491 to 495	521 to 525	551 to 555	581 to 585
611 to 615	641 to 645	671 to 675	701 to 705
731 to 735	761 to 765	791 to 795	821 to 825
851 to 855	881 to 885	911 to 915	941 to 945
971 to 975	1001 to 1005	1031 to 1035	1061 to 1065
1091 to 1095	1121 to 1125	1151 to 1155	1181 to 1185
1211 to 1215	1241 to 1245	1271 to 1275	1301 to 1305
1331 to 1335	1361 to 1365	1391 to 1395	1421 to 1425
1451 to 1455	1481 to 1485	1511 to 1515	1541 to 1545
1571 to 1575	1601 to 1605	1631 to 1635	1661 to 1665
1691 to 1695	1721 to 1725	1751 to 1755	1781 to 1785
1811 to 1815	1841 to 1845	1871 to 1875	1901 to 1905
1931 to 1935	1961 to 1965	1991 to 1995	2021 to 2025

The payment will be made against presentation and surrender of the bonds with all unexpired coupons, appertaining thereto to the fiscal agent or to either one of the paying agents whose addresses are given below. The face value of the missing coupons will be deducted from the relevant amount at the time of payment. The face value of any missing unexpired coupon will be paid against surrender of the relevant coupon within a period of 12 months from the payment date in respect of the principal of the related bond, whether or not such coupon shall have become void under condition 7.

The annual interest due on 1.8.85 will be paid as usual. Unless otherwise elected to receive payment in U.S. dollars in accordance with clause 5 (d) of the terms and conditions of the bonds, the payment will be in Kuwaiti dinars.

Fiscal Agent: KUWAIT INTERNATIONAL INVESTMENT CO. S.A.K. Gate No. 1, 5th Floor, Al Sahiyah Commercial Complex, Fahad Al Salem Street, Kuwait

Paying Agents: ARU OHARI INVESTMENT CO., Obaid Khalifa Al Jebel Building, Sheikh Khalifa Street, Abu Dhabi, UAE; KREIETBANK SA, KREIETBANK SA, 45 Boulevard Royal, Luxembourg; MORDAN GUARANTY TRUST COMPANY OF NEW YORK, 35 Avenue des Arts, 1000 Brussels, Belgium

Kuwait International Investment Co. s.a.k. (fiscal agent)

## NOTICE OF OPTIONAL REDEMPTION

US\$30,000,000  
KOREA FIRST BANK  
FLOATING RATE NOTES DUE 1989

Notice is hereby given, in accordance with Clause 5 (e) of the Terms and Conditions of the Notes, that the holder of any Note wishing to exercise the option to redeem such Note on 30 September 1985, should present such Note to be so redeemed, with the coupon falling due 31 March 1985 and all subsequent coupons attached, at the office of the Fiscal Agent or any Paying Agent between 2 August 1985 and 16 August 1985. The coupon falling due 30 September 1985 should be presented for payment in the usual manner.

THE CHASE MANHATTAN BANK N.Y. & LONDON  
FISCAL AGENT

## FINANCIAL TIMES BOOKLETS

The following booklets are available from the Financial Times:

How to calculate Capital Gains Tax £4.50  
How to compete on equal terms £3.75  
Venture Capital £3.50  
FT European £10.00

Top 500 (1985 edition to be published in September)

To order your copy, please write to:

Ms Nicola Banham  
Publicity Department  
Financial Times Limited  
Bracken House  
10 Cannon Street  
London  
EC4A 3BY

enclosing a cheque for the value of your order

## Contracts and Tenders

## ETHIOPIA

INTERNATIONAL TENDER FOR THE PURCHASE OF ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT

INVITATION NO. T-11/77

The Provisional Military Government of Socialist Ethiopia, Ethiopian Transport Construction Authority announces the release of an international tender for the purchase of Road Construction and Maintenance Equipment.

A loan is available from the Afriroa Development Fund (A.D.F.) and interested bidders from member countries and participant states of the A.D.F. are requested to collect bid documents and specifications during office hours from the Procurement Office, Room 106, of the Ethiopian Transport Construction Authority against payment of Birr 20.00 for each set of documents.

Bids will be opened in public in the Conference Room 4th floor of the Ethiopian Transport Construction Authority headquarters building on August 22, 1985, at 10:00 hours Addis Ababa time.

The Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications mentioned in the tender.

ETHIOPIAN TRANSPORT CONSTRUCTION AUTHORITY  
June 7, 1985

## Public Notices

## THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION P.L.C.

14% Debenture Stock 1993

Notice is hereby given that the Registers of the Corporation's above mentioned Debenture Stock will be CLOSED for TRANSFER and REGISTRATION from 10.15.85 to 21.7.85.

By order of the Board  
H. J. McTurk, Secretary

48 Palmerston Place  
Edinburgh EH12 5BR  
1st July 1985

## ANGLO-AMERICAN COLLOQUIUM

"Information Technology"

Speakers from government, industry and the professions. Organized by Southampton University and the Fulbright Commission.

at Southampton University from 10-13 September 1985. Enquiries to Publicity Dept. The University, Southampton SO9 5NH or Tel: (0703) 569122, Extn 2512

## Personal

FLAT TO LET in the West End. Spacious, two bedrooms, two reception rooms and a bathroom in the heart of London. Daily price. Apply in writing to Mr. Barry, 115 Charing Cross Road, W.C.2.

## Company Notices

## AZIENDA AUTONOMA DELLE FERROVIE DELLO STATO

FLOATING RATE NOTES

US\$100,000,000

The interest rate applicable to the above issue in respect of six months period will be fixed on 29 June 1985 as follows:

to that according to the interest payable in respect of six months period calculated on the basis of a year of 360 days will be fixed on 31 December 1985.

The Annual General Meeting is to be held at 12 noon on Wednesday, July 24, 1985 at the Hotel Intercontinental, 1 Avenue de la Gare, Luxembourg.

By Order of the Board,  
I. M. F. BALFOUR, Secretary.

## CLASSIFIED ADVERTISEMENT RATES

	Per line (min. 10 lines)	Single column (min. 10 lines)
Commercial & Industrial	10.50	25.50
Residential Property	8.00	27.00
Appointments	11.00	27.00
Business Investment	10.50	25.50
Occasional	10.50	25.50
Personal	8.00	27.00
Motor Cars	8.00	27.00
Houses & Travel	8.00	27.00
Contracts & Tenders	10.50	25.50
Book Publishers	10.50	25.50

For further details write to:

Classified Advertisement Manager  
Financial Times  
10, Cannon Street, EC4A 3BY



## UK COMPANY NEWS

## Isotron profits expected to exceed £1m mark

BY TERRY GARRETT

THE FULL prospectus is published today for an offer for sale by tender of 3.25m shares in Isotron, a company operating gamma radiation plants in the UK.

The shares are being offered at a minimum tender price of 120p each raising a total of just under £4m at that price, £3m of which will be new money for the company.

The company was established late in 1983 by Thompson Clive & Partners, the venture capitalists business, for the purpose of acquiring two complementary companies working in the field of gamma radiation—Isotron Products and Gamma Radiation.

It operates from four plants—at Bradford, Reading and two in Swindon—and provides a service to customers in the medical and chemical sectors.

The process consists of exposing customers' products to a source of radiation, cobalt 60, either on a conveyor belt passing through a concrete shielded chamber or by taking batches of products into the chamber where they are mounted on a conveyor belt moving around the radiation source.

Its customers fall into three broad areas of medical, biological and chemical. The process can be used for sterilising medical products such as syringes, gloves and dressings or the treatment of cosmetic preparations, such as shampoos, to reduce the number of micro-organisms.

In the chemical sector its process can improve the properties of insulation wire, for example.

Customers include IRL, which accounts for 16 per cent of sales, Smith & Nephew, BICC and ICI.

LRC owned Irradiated Products from its inception in 1970 until it was sold to Thompson Clive.

In the UK there are six gamma irradiation plants, other than the company's own four. These are primarily used for the sterilisation of medical products and are operated in-house. One, however, does offer a limited service to third parties and that is the only direct competition to Isotron.

Isotron's current plants are operating at just 54 per cent of their possible maximum as laid down by licence. Part of the reason for going public is to raise finance to partially fund a new plant which the company hopes to have operational in 1987. The plant, including cobalt, will cost around £3m.

Over the years from 1979-80 to 1983-84 pre-tax profits have increased from £249,000 to £703,000. For the current period 1984-85, the company has indicated a pre-tax profit of £1.12m. On an actual basis, therefore, Isotron is coming to market on a p/e of 22.6, the minimum tender price, or 18.7 times earnings assuming a national tax rate. The forecast net dividend for the year to June 1986 is 1.25p giving a yield of 1.5 per cent.

The directors have declared a same-again 2.75p interim. They are encouraged by the company's revenue projections, and anticipate at this stage being able to recommend some increase in the final. Last year's final was 4.75p.

Gross revenue for this half totalled £4.79m (£4.55m), and was made up of dividends and interest received of £3.73m (£4.22m). Interest receivable £206,000 (£183,000), interest from subsidiaries not consolidated £718,000 (£590,000), underwriting commission £118,000 (£19,000), and net profit of dealing subsidiary £7,000 (£52,000).

Expenses and interest took a higher £1.65m (£1.58m), leaving revenue before tax up from £2.97m to £3.15m. The tax charge was £943,000 (£951,000).

Dividends absorb a similar £1.67m, and revenue retained emerged at £831,000 (£427,000). With £894,000 (£539,000) brought forward, revenue retained and carried forward amounted to £1.53m (£1.29m).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

## Arthur Bell says prospects excellent

Arthur Bell & Sons, the Scotch whisky distiller which is fighting off a £295m takeover bid from Guinness, responded to criticisms made by Guinness saying: "If this is a company which has lost its way British industry could do with a few more of them."

In reply to the Guinness offer document sent out on Thursday Bell denied that it had lost its way.

It said it was the leader in the UK whisky market and that it was also the fastest growing Scotch whisky brand outside the UK.

Export sales and pre-tax profits had both more than doubled in the past five years and prospects for increased sales, exports, jobs and profits were excellent, Bell added.

Guinness's shares fell 2p on Friday to 247p while Bell fell 5p to 233p.

Christies' offshoot

Christies Contemporary Art has changed its name to Carlton Galleries and announced plans to come to the USM this summer.

The company, which is 50 per cent owned by Christie's International, the fine art auctioneer, claims to be Europe's leading publisher of high quality, limited edition prints. Its artists include David Hockney and Miro, and it sells through its own galleries based in London, New York and

Braithwaite

The profit of £149,000 achieved by Braithwaite and Co Engineers in the year ended March 31 1985 was made up of a loss of £218,000 in the first half and a profit of £367,000 in the second, as expected.

The recovery principally reflected the benefit of changes in management structure and organisation at Braithwaite Structural.

The year's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 22 per cent to £24.99m (£18.87m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £536,000. The dividend is increased to 1.45p (1.35p) with a recommended final payment of 1p net per 10p share (0.9p).

The company's profit compares with £236,000 in 1983-84 and our report of June 23 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

## Specialist staff agency for USM

BY LUCY KELLAWAY

STOCKBROKERS Fiske & Company are bringing the difficult conditions in the new issue market, by bringing ATA Selection to the USM with a market value of £5.5m. The firm has placed 2.1m shares at 50p each to raise a total of £1.05m after expenses, of which about £100,000 will be new money.

The remaining 1.9m of the shares placed are being sold by Mr Barney Barrett, the company's chairman and founder.

ATA is a specialist employment agency operating in two main areas, sales and electronic engineering. It has eleven branches scattered round the country, and plans this year to increase the size of some existing branches and add three new ones.

The company claims to have no direct competitors who specialise in the same markets on a nationwide basis. It employs about 80 staff and last year found jobs for 1,400 people with 570 different customers. In 1984, no one customer accounted for more than 1.2 per cent of group turnover.

As a complement to its recruitment business, ATA also is involved in specialised recruitment advertising through its subsidiary Capital and Provincial Advertising. Turnover from this source was about 17 per cent of the total in 1984.

Group profits, which were flat from 1980 to 1982 rose sharply the following two years to reach £408,000 in 1984, while turnover increased more steadily in each of the five years. The company says that its rising profitability has reflected not only the growth in the number of placements, but also the higher fees that have stemmed from higher average salaries.

For the current year, ending December 1985, the company is forecasting that pre-tax profits will be at least £350,000. At the placing price the shares are on a prospective price earnings multiple of 16 after a 40 per cent tax charge. The company expects to pay a total dividend of 1.5p on which basis the shares yield 5.5 per cent.

Deals are expected to begin on Thursday.

Charles Baynes seeing diversification benefits

Trading profit was up only slightly at £143,000 (£119,000).

The atrike also had an effect on the engineering division, which met higher price competition from UK and overseas manufacturers. Trading profit fell from £176,000 to £109,000.

The other main division, property services, saw profits soar from £32,000 to £246,000.

As stated at the annual meeting, the business has become highly seasonal with the bulk of the profit being earned in the second half. Steps are being taken to change that, the results of which should be seen in 1987/1988.

The directors say that in the first two months of the second half the textile rental division is trading in line with expectations but engineering continues to meet price competition.

Although some contracts have been delayed the board believes that the property services division will produce substantial profits for the rest of the year.

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after interest overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Group trading profit came out at £5



## UK COMPANY NEWS

## Premier hits at U.S. fund raisers

THE CHIEF of a British oil company has hit out at the state of small American oil companies which have recently raised money on the London market, and expresses his concern at the Stock Exchange granting a full quotation to them.

Mr Roland Shaw, chairman and managing director of Premier Consolidated Oilfields, writes in his annual statement to shareholders:

"Speaking personally about the United States, I am disturbed by the state of small companies which have come to London in recent months and persuaded investors to fund U.S. oil ventures on a basis where the promoters take more than the lion's share of the corporate capital while British investors foot the costs. In a number of cases the prospectuses postulate proven reserves under leases which are not even owned or even drilled — an exceedingly dubious practice."

Mr Shaw says it is "further disturbing to find the Stock Exchange granting a full quotation to such companies, some of which not only have no five year record but in fact only a few months of corporate existence."

Turning his attention to his own company, he tells shareholders that the past year was successful and that the future looks "secure and profitable."

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's (imputed) dividends.

**TODAY**  
Interim: Fleming Claverhouse Investment Trust, LPA Industries, Oakwood Television South.  
Final: Delmas, Illingworth Morris, Jenson Thompson and Everhead, Benjamin Priest, J. Rothschild, Sava and Prosper Return of Assets Investment, Scottish and Newcastle Breweries.

The company has no net debt — in fact it has investments, deposits and cash of £14.8m against a debt of £6.4m, its major producing properties are on the up curve and its proven recoverable oil reserves, currently some 39m barrels, are increasing with new development work.

The chairman says Premier is now — and for the first time in its recent history — insulated from economic shock by the sound basis of low cost production in stable market areas. Growth and development are expected to accelerate steadily and "we are prepared to weather short term uncertainties about oil prices."

Mr Shaw says the company

## FUTURE DATES

**Interim:**  
Bootham Engineers ..... July 24  
Channel Islands and International Investment Trust ..... July 18  
Cora ..... Aug 15  
Ford (Merlin) ..... July 25

**Final:**  
Oxagan ..... July 4  
Rita and Eward ..... July 15  
Grand Shopping ..... July 17  
HAT ..... July 16  
Jacksons Bouine End ..... July 5  
Moorpark Investments Trust ..... July 17  
Sommarville (William) ..... July 11  
Thorn EMI ..... July 5

does not now depend for prosperity on exploration successes or developments stretching forward a number of years. "So that is very satisfactory." At the same time it has a large number of exploration prospects which it intends to exploit sensibly and within a rational budget. These could result in very substantial growth and that is also very satisfactory.

In the year ended March 31, 1985 the company almost doubled its turnover to £3.5m and greatly expanded its pre-tax profit from £1m to £4.5m, including exchange gains £1.6m mainly in the first half.

Highlights of the year were

£65m financing for Wytech Farm, where Premier's share of production is now at \$25.750 barrels per day; defeat of the takeover bid by Carless Capel and Leonard; successful rights issue; turnaround in Trinidad operations after many losses; shell well appraising the 29/30 discovery in the North Sea; four excellent 9th round North Sea blocks; and active exploration programme.

Again shareholders' dividend is in the form of a scrip issue, as the directors believe this method is still appropriate. However, they will continue to review the matter "carefully," especially if profits follow their predicted turnover or up to £60m over the next five years.

In America it has been a year of consolidation for Premier. It has had minimal activity and has cut down overheads drastically while working to formulate a new policy for U.S. operations. Production in the Fort Worth basin, Montana and Utah has been satisfactory and should give break-even results against the previous year's losses.

The company is to concentrate on high risk drilling with large potential; and expects, with its new partner Rosewood Resources, to drill wildcat wells on the Western States acreage, funding part of the costs itself and farming out part.

## Funds top £3.5bn at Allied Dunbar

Hambro Life Assurance, the largest and most well known of the companies in the UK linked-life sector, is from (today), changing its name to Allied Dunbar Assurance.

This change has been forced on the company ever since the ending of its connection last year with its parent, the merchant banking group Hambro.

In the 14 years since it was founded by Mr Mark Weinberg, Hambro Life has expanded from being a linked-life company to embrace many facets of the financial services sector, including unit trust group, offshore investment and private banking.

Earlier this year it became part of BAT Industries in a mutually agreed takeover.

The holding company will from today become Allied Dunbar, with five major operating companies within its orbit, the main one being Allied Dunbar Assurance with funds under management in excess of £3.5bn.

The other companies are Allied Dunbar Unit Trusts, the third largest unit trust group in Britain with over 120,000 unit trust accounts, Allied Dunbar and Company, the private banking arm, Allied Dunbar Provident and Allied Dunbar International.

Mr Weinberg, commenting on the name change said that it was appropriate that the group should have so loudly distinct from the name of its original parent.

## F.T. Share Information

The following securities have been added to the Share Information Service—

Asda Property Holdings (Section: Property); Bedford (William) (Draper and Stores); Compania Telefonica Nacional de Espana, S.A. (Electricals); Holmes and Marchant Group (Paper, Printing and Advertising); Moorgate Group (Paper, Printing and Advertising); Rax Data Corporation Ltd (Electricals).

Redfern National Glass Industrial Equity (Pacific) has increased its holding to 960,000 ordinary shares (15.8 per cent).

Antimated - Security Holdings; Mr T V Buffett, a director has disposed of 200,000 ordinary shares at 37p and now holds 2,676,495 shares (4.835 per cent).

## NOTICE OF REDEMPTION TO HOLDERS OF EUROPEAN COAL AND STEEL COMMUNITY ("ECSC")

US \$50,000,000, 11¼ per cent. Bonds due 1st August, 1990

NOTICE IS HEREBY GIVEN that, pursuant to the provisions in the terms and conditions of the above-mentioned issue, Kuwait Investment Company (S.A.K.), as Fiscal Agent, has drawn by lot, for redemption on 1st August, 1985, at 100% of the principal amount thereof through operation of the Sinking Fund, US \$8,000,000 principal amount of said 11¼ Bonds due 1st August, 1990 bearing the following serial numbers:

Denomination: US \$5,000			
00021-00070	01631-01671	02719-02758	03942-03980
00211-00264	01886-01922	02927-02964	04106-04147
00765-00799	02117-02156	03013-03052	04353-04395
00911-00964	02224-02262	03248-03286	04671-04713
01260-01280	02439-02467	03656-03694	04824-04865

## Denomination: US \$10,000

00021-00070	01631-01671
00211-00264	01886-01922
00765-00799	02117-02156
00911-00964	02224-02262
01260-01280	02439-02467

On 1st August, 1985, the Bonds designated above will become due and payable at the principal amount thereof in such coin or currency of the United States of America as is legal tender for payment thereof of public and private debts and will be paid upon surrender thereof at the offices of Kuwait Investment Company (S.A.K.), Muharab Al-Kabir Street, Kuwait City, State of Kuwait, or at the option of the holder, at the main offices of Banque Internationale a Luxembourg S.A. in Luxembourg, Banque Nationale de Paris in Paris, The Chase Manhattan Bank, N.A. in New York, Hill Samuel & Co. Limited in London, Generale Bank in Brussels and Swiss Bank Corporation in Basel.

Bonds surrendered for redemption should have attached all unmailed coupons appertaining thereto. Coupons due 1st August, 1985, should be detached and collected in the usual manner. From and after 1st August, 1985, interest shall cease to accrue on the Bonds herein designated for redemption.

The aggregate principal amount of Bonds remaining outstanding after 1st August, 1985, will be US \$42,000,000.

KUWAIT INVESTMENT COMPANY (S.A.K.) on behalf of EUROPEAN COAL AND STEEL COMMUNITY

Dated: 1st July, 1985

## REPUBLIC OF PANAMA

KUWAITI DINARS 4,000,000  
8½% NOTES DUE 1985/1990

## OPTION TO REDEEM ON DECEMBER 1ST, 1985

Notice is hereby given that under Condition 4(C) of the Notes the holders of any of the above Notes shall have the option to have such Note redeemed by Panama at 100% on December 1st, 1985. To exercise the option the holder of Notes shall deposit the Notes to be redeemed with the Fiscal Agent or any of the Paying Agents at the addresses given below from whom payment is required any time between August 1st 1985 and August 31st 1985 (both dates inclusive). Any Notes so deposited may not be withdrawn without the prior consent of Panama.

Fiscal Agent:  
KUWAIT INTERNATIONAL INVESTMENT CO. S.A.K.  
Al Sahiyah Commercial Complex, 5th Floor  
Gate No. 1, P.O. Box 22792, Safat, Kuwait

Paying Agents:  
KREDBANK S.A. LUXEMBOURGEOISE  
37, Rue Notre Dame, Luxembourg

MORGAN GUARANTY  
TRUST CO OF NEW YORK

35, Avenue des Arts  
1040 Brussels  
Belgium

MERRILL LYNCH  
INTERNATIONAL BANK LTD  
Merrill Lynch House  
3 Newgate Street  
London EC1A 7QA  
United Kingdom

Kuwait International Investment Co. S.A.K.  
(as Fiscal Agent)



## Lloyds Merchant Bank Limited.

MERGERS AND ACQUISITIONS • FLOTATIONS • CAPITAL RAISING

MANAGEMENT BUY-OUTS • DEVELOPMENT CAPITAL • GENERAL FINANCIAL ADVICE

For further information contact:—Corporate Finance Division, Lloyds Merchant Bank Limited, 40/66 Queen Victoria Street, London EC4P 4EL Tel: 01-248 2244.



## THE WEEK IN THE COURTS

## Transcript system deprives public

GONE are the days when reported judgments were short, consisting of only a few sentences.

Such admirable brevity may have been due to the judge's reluctance to be more likely to have been because he was less burdened then with the interpretation of intricate regulation and legislation, and the analysis of an overwhelming mass of precedent.

Now judgments can be very long and complicated. Law reporters and press reporters take notes in court with varying standards of shorthand, long hand, concentration, hearing, stamina and understanding.

The result can be a number of inconsistent versions of highly technical material. For that reason an official transcript is produced for the benefit of the public, and for law reporting purposes and appeals on unreported cases.

In the UK, law reporting has always been carried out on a private basis by individual reporters or competing publishers, unlike other English law countries where it is organised by the state.

Maybe that is why Britain's system of obtaining official transcripts is not only absurdly outdated compared to other countries, but also in many cases deprives the public of an opportunity of hearing or seeing the judgment—a big failing in a system where judges frequently and earnestly state that justice must not only be done, but must be seen to be done.

In the High Court, judgments are often given off-the-cuff, and reserved judgments are usually delivered aloud, so that at least they are heard. In the Court of Appeal, however, judges generally (though not always), hand down a typed version of the judgment to counsel, press

and law reporters, without reading it aloud.

The advantages of "handing down" are so great to a reporter that it would be foolish to ask for a return to the old system of sitting and listening for one, two, three hours or more—sometimes dashing between several judgments to try to pick up a little from each.

But what about the public? In the High Court a member of the public will have had an opportunity to listen to the judgment. In the Court of Appeal it is unlikely that he will have heard it. In neither court will the transcript be available to him immediately.

Sometimes it will not be available for several weeks, and when it is it may be beyond his means financially. The cost of transcripts depends on length—a short judgment could cost £30, or a long one £300.

In other English law countries official transcripts are made available, free, on the day of the judgment. In Australia and the U.S., for example, the official transcript of a reserved judgment is prepared, revised and accurately typed before judgment is given, so that it is immediately available.

If judgment is given off-the-cuff, it is taken down, transcribed, revised by the judge, retyped, and is available to the public within two days.

The UK system is amazingly cumbersome in comparison, with the exception of the House of Lords and Privy Council, where judgments are immediately available.

At High Court level, judgments are recorded on tapes which are sent out to transcribers throughout the country. The transcripts are then sent to the judge. He may deal with them immediately or sit on them for several days or weeks. They then go back to the trans-

criber for retyping before being sent to customers.

The delay caused by human factors is increased by at least four trips through the post.

Considering the clumsiness of the system it says a lot for the efficiency of the Mechanical Recordings department in the High Court that the process sometimes only takes three weeks.

In the Court of Appeal the practice is slightly different. A shorthand writer notes down an off-the-cuff judgment and transcribes it. If, however, it is "handed down," the writer will physically receive it from the judge's clerk, send it back to the judge for revision (usually unnecessary), have it returned and retype it (again usually unnecessary) before despatching it.

This process can also take several days or weeks depending on the human factor, if not so much on the post.

It makes sense that there should be one standard version checked and revised by the judge, and accurately typed. What does not make sense is that the standard version of a reserved judgment is not available when judgment is given.

It must be possible for UK judges, like their Australian or U.S. colleagues, to perfect their judgments and get them typed accurately in advance so that they are immediately available.

In the case of extempore judgments, they could surely be available within a couple of days of judgment.

One advantage of immediate availability is certainty. Judges have been known to change whole legal propositions when revising a transcript. It is disconcerting to have heard what was said in court and to discover, several weeks later, that a positive thought has since been changed to a negative, or that a significant proposition has been added or deleted.

There has been much grumbling about a recent change in the House of Lords practice in the handing down of judgments.

In the past they were free and were immediately available as official transcripts on the date of judgment, but were only handed out to counsel, law reporters and the press.

They now cost £4 each but have the advantage of being available on the date of judgment to any member of the public who wishes to collect them from the judicial office.

In spite of complaints about having to pay £4, this system is infinitely more satisfactory than that in the High Court and Court of Appeal. Admittedly, the House of Lords usually reserves its judgments for about six weeks, but this is not unknown in the Court of Appeal and High Court.

If transcripts can be produced so quickly, cheaply and efficiently in the House of Lords why not in the High Court and Court of Appeal?

The situation seems anomalous at a time when the emphasis in Britain's legal system is on improving efficiency and cost-effectiveness—as exemplified by Sir John Donaldson's attempts to drag the Court of Appeal into the late 20th century and the recent appointment of Sir Nicolas Browne-Wilkinson as Vice-Chancellor with a brief, so it is rumoured, to do the same thing for the Chancery Division.

In an era when pits, steelworks, hospitals and schools must close in the interests of economy, there can be no justification for preserving an expensive and inefficient system which deprives the public of its right to know immediately not only what the judge has said, but what he meant to say.

By Rachel Davies

## Voting rights of Phoenix Timber dissidents upheld

By Raymond Hughes, Law Courts Correspondent

DISSIDENT shareholders in Phoenix Timber Group have defeated an attempt to stop them voting at the company's extraordinary general meeting today.

A High Court judge on Friday set aside an injunction against Mr Michael Hermann, a Phoenix director, and his wife, who between them hold 359,590 of the company's ordinary shares.

Mr and Mrs Hermann requisitioned Monday's meeting

for the appointment of new directors. They are heading a group of shareholders trying to wrest control of Phoenix from the present board.

The board went to court complaining that the Hermanns had breached section 74 of the 1981 Companies Act by not disclosing the identities of beneficiaries of certain trusts on whose behalf they held some Phoenix shares.

Mr Justice Mervyn Davies said there were grounds for supposing that the Hermanns had given what information they could about the beneficiaries.

Such information as there was about other interests in the shares was as much known to the company as it was to the Hermanns.

It was common knowledge that the shares belonged to the

estate of a descendant of the company's founder.

The judge said there were also grounds for supposing that the company was not seeking the information for the bona fide purpose of establishing who had an interest in the shares, but rather for the oblique purpose of stopping the votes attached to them being used at the extraordinary meeting.

## INTERNATIONAL APPOINTMENTS

## Rogers to steer Molson

By Bernard Simon in Toronto

THE MOLSON COMPANIES, the Canadian brewing, chemicals and lumber group, has named Mr John Rogers chief executive in the place of Mr James Black, who remains as non-executive chairman.

Mr Rogers, aged 57, joined the company in 1950, and has been president and chief operating officer for the past two years.

Molson is passing through a difficult period at present, as a result of intense competition in the Canadian beer market and the lacklustre profitability of some of its U.S. operations. Mr Black, 59, told the annual meeting in Toronto last week: "We are going to be reporting earnings at less than record levels for the next couple of years, before we can really hope to show full recovery."

Net income fell to C\$45.2m (U.S.\$31m) in the year to March 31, from C\$51.3m and C\$52.9m in the previous two years. The return on equity has dropped from 15.5 per cent to 11.5 per cent since 1983.

Molson hands account for about one-third of the Canadian beer market. Brewing profits tumbled by two-thirds in 1984, but Mr Rogers said that the company hopes to gain one percentage point in market share a year.

Molson has held talks with Adolph Coors, the Colorado brewer, on the introduction of Coors beer in Canada, and is studying the feasibility of having its brands brewed under contract in the UK.

## Nor Tel rings in the changes

By Our Toronto Correspondent

Northern Telecom, the Canadian telecommunications equipment manufacturer, has appointed Mr David C. Vee as president. Mr Edmund Fitzgerald relinquishes this title, but remains chairman and chief executive.

Mr Vee, who joined the company in 1955, was previously president of Northern Telecom Canada, the principal Canadian operating subsidiary. Mr Robert Ferber, previously president of Northern Telecom International, has taken over as president of Northern Tele-

## Derr heir apparent at Chevron

By William Hall in New York

MR KENNETH T. DERR, aged 48, has been appointed a vice-chairman of Chevron, the San Francisco-based oil giant, in a move which appears to be grooming him for the top job when Mr George Keller, the current chairman and chief executive retires.

Mr Derr is far and away the youngest of Chevron's nine executive directors and has been responsible for masterminding the implementation of Chevron's \$13.3bn takeover of Gulf Corporation, announced last year.

He will take over as vice-chairman on October 1, following the early retirement of Mr Donald Bower, 61, who has been

a vice-chairman since 1979. Mr Bower has been a director of wide marketing operations Chevron for over 17 years and co-ordinated Chevron's worldwide marketing operations before becoming the first president of Chevron USA, the company's major domestic operating subsidiary, in 1977.

Mr Derr has had a rapid rise up the Chevron management ladder since joining the company in 1980 after graduating from Cornell with a degree in mechanical engineering and business administration. In his early career he held a variety of assignments in Chevron's refining and economic analysis operations before being

appointed assistant to the president in 1983. He was elected a director of the company in 1981.

Although the 61-year-old Mr Keller shows no signs of wanting to retire, Mr Derr seems well placed to succeed him. Mr John Grey, Chevron's president for the last 10 years, is 62 and all Chevron's other executive directors, with the exception of the 56-year-old Charles B. Renfrew, are over the age of 60. Inside Chevron, it is said that one reason Mr Derr was given the task of implementing the merger of Gulf and Chevron was that he would have only himself to blame if the merger did not work as planned.

## Montgomery Ward at the top shake up

By Our New York Staff

MR BERNARD F. BRENNAN, who was hired earlier this year to revive the sagging fortunes of Montgomery Ward, the sixth highest U.S. retailer, has announced a major management shake-up in a bid to re-establish Ward as a competitive and profitable leader in the retail business.

He has split up responsibility for merchandising and store operations, which have been the sole responsibility of Mr William J. McCarthy, an executive vice president, since the departure of Dr Ira Quint, the former general merchandise manager, last summer. Under the new regime Mr McCarthy will be

responsible for store operations plus marketing and product service. In addition, Mr Marvin Stern has been promoted to executive vice president—merchandising and given sole responsibility for all buying, importing, replenishment and quality assurance functions for the company.

Mr Brennan, a former executive of Montgomery Ward who was rehired by Mobil Corporation, the oil major which is the parent of the giant department store group, has been given the task of reviving the group so that Mobil can eventually sell it. He says that his new management structure is aimed at deve-

loping Ward's businesses in areas where it can excel, such as apparel, appliances, automotive, home and home care, home electronics and recreation and leisure.

Montgomery Ward is reducing its dependence on its traditional department store outlets and is now developing a "store-within-a-store" concept. The group plans to divide its old department stores into as many as seven small specialty shops. The first store to present all of Montgomery Ward's specialty outlets under one roof will open in Annapolis, Maryland, in August.

## Switch at Control Data

By Our New York Staff

CONTROL DATA, the U.S. computer and computer products group, has appointed Mr Tom Roberts—the former chief executive of Fairchild Camera, the semiconductor manufacturer subsidiary of Schlumberger, the international oil services group—president of its international operations.

Mr Roberts, aged 43, joined Schlumberger in 1970 after a short spell as a computer sales engineer at IBM. After ten years in Europe where he held various positions with Schlumberger, including managing director of the group's UK electronic business, he has made chief executive of Fairchild Camera, the oldest of the U.S. semiconductor manufacturers, which was bought by Schlumberger in 1979. It has not been a successful acquisition for Schlumberger, and Mr Roberts went on an "indefinite leave of absence" at the start of the year.

ENGEHARD Corporation, the New Jersey-based international producer of specialty chemical and metallurgical products and processes, has named Mr Cyrus H. Holley to the new post of executive vice president and chief operating officer. Mr Holley was president of the concern's specialty chemicals division.

MR ALDO PAPONI has been named president and chief operating officer of American Express Travel Related Services, in succession to Mr Lewis V. Gerstner, who last week was appointed president of American Express Company, the group parent, but who remains chairman and chief executive officer of the subsidiary.

## Retirements bring change for Baloise

By John Wicks in Zurich

TWO RETIREMENTS have led to a reshuffle at the head of Baloise, the Swiss insurance group. At the same time, the Baloise management board has been reduced from four general managers to three.

Mr Rudolf T. Sarasin, hitherto finance director and a general manager of Baloise Insurance and Baloise Life Insurance and succeeded Mr F. Emmanuel Iselin as chairman of the board of directors. Mr Peter Leppin is replaced as management chairman by general manager Mr Robert Baumann.

Because the finance and administrative divisions have been merged, there will in future be only two general managers.

This announcement appears as a matter of record only

## AUTOMOBILES PEUGEOT

## EMPRUNT INTERNATIONAL

11 1/2 % 1985-1990

de francs français 500.000.000

représenté par 100.000 Obligations de francs français 5.000

Durée de l'emprunt : 5 ans

Jouissance : 31 mai 1985

Prix d'émission : 100 %

## Lazard Frères et Cie

Caisse des Dépôts et Consignations

Algemeine Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Banque Paribas Capital Markets

Crédit Commercial de France

Dresdner Bank

Kreditbank International Group

S.G. Warburg & Co. Ltd.

## Société Générale

Morgan Guaranty Ltd

Anro International Limited

Banque Nationale de Paris

Bayerische Vereinsbank Aktiengesellschaft

Crédit Lyonnais

Générale de Banque S.A. - Generale Bank N.V.

Swiss Bank Corporation International Limited

S.G. Warburg & Co. Ltd.

Abu Dhabi Investment Company  
Al Saudi Banque  
Banca Commerciale Italiana  
Banca del Gottardo  
Banca Nazionale del Lavoro  
Bank Gützwiler, Kurz, Bungenur (Overseas) Limited  
Bank of Tokyo International Limited  
Bank Mees & Hope NV  
Banque Arabe et Internationale d'Investissement (B.A.I.I.)  
Banque de Commerce S.A.  
Banque Française du Commerce Extérieur  
Banque Générale du Luxembourg S.A.  
Banque Indosuez  
Banque Internationale à Luxembourg S.A.  
Banque Louis Dreyfus  
Banque de Neufville, Schlumberger, Mallet  
Banque Paribas Belgique S.A.  
Banque de l'Union Européenne  
Banque Vernet et Commerciale de Paris  
Banque Worms  
Barclays Merchant Bank Limited  
Baring Brothers & Co. Limited  
Bergson Bank A/S  
Berliner Handels- und Frankfurter Bank  
Caisse Centrale des Banques Populaires  
Caisse Nationale de Crédit Agricole  
Caisse d'Épargne de l'Etat, Luxembourg  
Caixanova & Co.  
Centrale Rahobank  
Chase Manhattan Capital Markets Group  
Chase Manhattan Limited  
Commerzbank A.G.  
La Compagnie Financière Banque

Compagnie Monégasque de Banque  
Copenhagener Handelsbank A/S  
County Bank Limited  
Creditanstalt - Bankverein  
Crédit Communal de Belgique  
S.A. / Gemeentekrediet van België N.V.  
Crédit général S.A. de banque.  
Crédit du Nord  
Crédit Industriel d'Alsace et de Lorraine  
Crédit Industriel et Commercial  
Crédit Suisse Firs Boston Limited  
Daiwa Europe Limited  
Den Danske Bank af 1871 Aktieselskab  
Deutsche Bank A.G.  
Deutsche Genossenschaftsbank  
Dillon, Read Limited  
Emskilda Securities  
Skandinaviska Enskilda Bank  
Euromobiliare SpA  
European Banking Company Limited  
L'Européenne de Banque  
Financor  
Genfin  
Genossenschaftliche Zentralbank AG  
Vienna  
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft  
Goldman Sachs International Corporation  
Hambros Bank Limited  
Industriebank von Japan (Deutschland)  
AG  
Istituto Bancario San Paolo di Torino  
Kansallis-Osake-Pankki  
Kukder, Peabody International Limited  
Kleinwort, Benson Limited

Kreditbank N.V.  
Lazard Frères et Co. Limited  
Lazard Frères et Cie  
Lloyds Bank International Limited  
Merrill Lynch Capital Markets  
Samuel Montagu & Co. Limited  
Morgan Grenfell & Co. Limited  
Morgan Stanley International  
Nederlandse Credietbank N.V.  
The Nikko Securities Co. (Europe) Limited  
NMB Bank  
Nomura International Ltd  
Norddeutsche Landesbank Girozentrale  
Sal. Oppenheim JR & Cie  
Oriel Royal Bank Limited  
Peterbroeck, Van Campenhout et Cie S.C.S.  
PK Christiania Bank (UK) Ltd  
S.A. Dewfin N.V.  
Salomon Brothers International Limited  
Shearson Lehman Brothers International  
Société Générale Alsacienne de Banque  
Soditic (Jersey) Ltd  
Sparkassen SDS  
Société Générale Strauss Turbulla Limited  
Union de Banques Arabes et Financières - U.B.A.F.  
Union Bank of Switzerland (Securities) Limited  
J. Vontobel & Co. Ltd  
Westdeutsche Landesbank Girozentrale  
Wood Gundy Inc.  
Yamaichi International (Europe) Limited

## Looking for capital growth?

## FIVE REASONS FOR INVESTING NOW IN EUROPEAN EQUITIES

Europe has proved to be an exciting area for investment in the recent past. The prospects for Europe still look good for five reasons:

## 1) Political Climate

The reduction of Government expenditure, combating inflation and most importantly, boosting the corporate sector have all become high priorities in Europe. This is most noticeable in the Netherlands, Germany and Belgium but also in France where there has been a distinct shift in Government economic policy.

## 2) Economic Recovery

European economies are now picking up. In Germany the Bundesbank forecasts that GNP in 1985 will grow by 2.5% and that exports should grow by almost 6%. Next year the German inflation rate is forecast at 2.5% while for the Netherlands it is 1.6%, Switzerland 3.3% and France 4.0%.

## 3) Strengthening Currencies

During the first half of 1985, European currencies appreciated against the Dollar. An important reason for this was the downward movement of US interest rates.

## 4) Company Performance

Company profits look set to enjoy another year of growth in 1985 and 1986 benefiting not only from continuing demand and low interest rates, but also from the significant rationalisation measures initiated in recent years. Europe boasts numerous growth areas and offers quality companies in such industries as pharmaceuticals, chemicals, electronics, electrical engineering and financial services, many of which have not parallel elsewhere.

## 5) Wider Share Ownership

Tax concessions and pension schemes in many countries encourage wider share ownership and persuade companies to turn to the equity markets for finance, resulting in a flow of funds into the investment markets.

## Major US institutions are continuing to diversify their portfolios internationally.

## The New European Equity Fund

The objective of the Hill Samuel European Equity Fund is to achieve long term capital growth through investment in European equity markets. All income is reinvested to build up the assets value of the shares.

The assets of the Fund will be invested in the stock markets of continental Europe. Purchases may also be made in the United Kingdom when appropriate. The general policy of the Fund will be to hold equities and bonds convertible into equities of continental European companies, but fixed interest securities and cash may also be held.

## The Managers of the Fund are Hill Samuel Fund Managers (Jersey) Limited. The Investment Advisers are Bank von Ernt &amp; Cie AG, Bern, Switzerland. Both these companies are members of Hill Samuel Investment Management International S.A., the overseas investment arm of Hill Samuel Group which currently has in excess of US \$8,000 million of investments under advice and management.

The Fund's daily dealing price will be shown in the Financial Times. The price of shares will be denominated in D Marks.

## NEW-Hill Samuel

## European Equity Fund Limited

To Hill Samuel Investment Management International, 7 Bond Street, St Helier, Jersey, Channel Islands. Tel. (0334) 76029. Please send me a copy of the prospectus for the Hill Samuel European Equity Fund Limited.

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone Number(s) \_\_\_\_\_

Hill Samuel Investment Management International S.A.

Geneva





Copies of the document which comprises Listing Particulars with regard to Isotron plc in accordance with The Stock Exchange (Listing) Regulations 1984 have been delivered for registration to the Registrar of Companies in England and Wales as required by those Regulations. Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of Isotron plc issued and being issued to be admitted to the Official List.

The Directors of Isotron plc, whose names, addresses and functions appear below, are the persons responsible for the information contained in the Listing Particulars. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Listing Particulars is in accordance with the facts and does not contain anything likely to affect the import of such information. The Directors accept responsibility accordingly.



## Offer for Sale by Tender by

# J. Henry Schroder Wagg & Co. Limited

OF 3,290,088 ORDINARY SHARES OF 25p EACH AT A MINIMUM TENDER PRICE  
OF 120p PER SHARE, THE PRICE TENDERED BEING PAYABLE IN FULL ON APPLICATION

### Key Information

The following information is derived from the full text of this document and accordingly must be read in conjunction with that text.

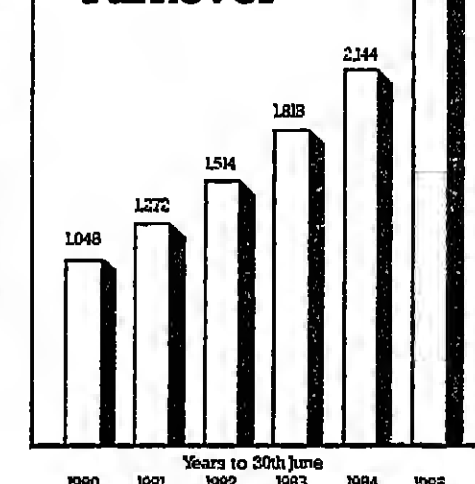
#### Trading record\*

#### Business

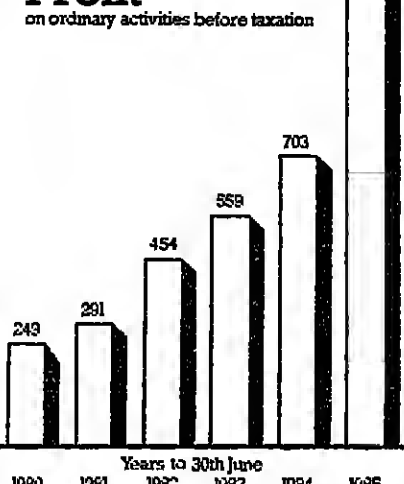
Isotron provides the only independent gamma radiation service in the UK. It operates plants at three sites, Swindon, Reading and Bradford, processing a wide variety of products. This service is well established and unrivalled in size and flexibility within the UK. It is used by customers primarily for the following purposes:

- to kill bacteria and other micro-organisms; hence it is used to sterilise medical devices and also to reduce the number of contaminating organisms in veterinary products, cosmetic preparations and certain raw materials; and
- to change the molecular structure of plastics in order to modify their properties. Irradiation improves the heat and abrasion resistance of the insulation on wire and cable for the telecommunication and automotive industries. In another application, plastic slabs are irradiated as a step in the manufacture of foam sheeting as used, for example, in sports equipment and safety wear.

#### Turnover



#### Profit



#### Offer for sale statistics\*\*

Number of ordinary shares in issue and being issued	13,300,000
Market capitalisation	£14.8 million
Pro forma earnings per ordinary share† — actual tax (47%)	5.3p
— notional tax (35%)	6.4p
Pro forma price earnings multiple — actual tax	23.6 times
— notional tax	18.7 times
Forecast minimum net dividend per ordinary share for the year ending 30th June 1986	1.25p
Gross dividend yield	1.5 per cent.
Dividend cover††	5.2 times

\* Based on the figures in the Accountants' report for the years 1980 to 1984 and on the profit estimate for 1985.

\*\* Based on a minimum tender price of 120p per share.

† Pro forma earnings per ordinary share of 25p each are calculated on the basis of estimated results for the year to 30th June 1985 and take into account the new ordinary shares to be issued and the net proceeds therefrom. See "Profit estimate" under "Finance" for the basis of calculation.

†† Based on the forecast minimum net dividend for the year ending 30th June 1986 and pro forma earnings per ordinary share based on a notional tax charge of 35% as shown above.

#### Share capital

Set out below is the authorised and issued share capital of Isotron as it will be immediately following the admission of the ordinary share capital to the Official List, the capital reorganisation conditional thereon and the redemption of the 1,600,000 redeemable preference shares of £1 each.

Authorised	Issued and being issued fully paid
£5,300,000	Ordinary shares of 25p each £3,075,000

The new ordinary shares which are the subject of the offer for sale rank in full for all dividends and other distributions hereafter declared, paid or made on the issued ordinary share capital of Isotron and rank *pari passu* in all respects with the existing ordinary shares of Isotron.

#### Indebtedness

At the close of business on 31st May 1985, apart from intra-group indebtedness, Isotron and its subsidiaries did not have any loan capital (including term loans) outstanding, or created but unused, or any other borrowing or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or guarantees or other material contingent liabilities.

The application lists for the shares now being offered for sale will open at 10 a.m. on Thursday, 4th July 1985 and may be closed at any time thereafter. The procedure for application and the application form are set out at the end of this document. It is expected that dealings in the whole of the issued ordinary share capital of Isotron will commence on Thursday, 11th July 1985.

#### Definitions

"Isotron"	Isotron plc
"IPL"	Irradiated Products Limited
"Gamma Laboratories"	Gamma Laboratories Limited
"CRS"	Gamma Radiation Services Limited
"the Group"	Isotron, IPL, GRS and Gamma Laboratories
"Schroders"	J. Henry Schroder Wagg & Co. Limited
"Thompson Clive"	Thompson Clive & Partners Limited

#### Technical note

Gamma rays are a form of electromagnetic radiation like micro-waves and ultraviolet light and X-rays. In common with X-rays they are of short wavelength, of high energy and very penetrating. They bring about chemical changes and cause biological effects by the process of ionisation. Gamma rays are produced during the spontaneous disintegration of the nuclei of the atoms of radioactive elements called radionuclides or, more commonly, radioisotopes.

The unit of strength of a radioisotope source is the curie (Ci): one megacurie means 1,000,000 curies (MCi). A new unit, known as the becquerel, is currently being introduced and will replace the curie as the standard unit of measure. All radioisotopes, whether naturally occurring or artificially produced, decay with time and the period known as the half-life is the time taken for half the radioactivity to decay. For example, the half life of the gamma emitter cobalt 60 is approximately 5.3 years.

#### Directors, advisers and bankers

<b>Directors</b>	Colin George Clive, BSc, MBA Chairman John Grant, CEng, MIMechE Managing Director Francis James Ley, BSc, FRESH, FIBiol Technical and Marketing Director Terence Frederick Summers, FIMLS Operations and Sales Director Charles Edward Fitzherbert, CA Edward Andrew Parronet Sells, FCA Christopher Ronald Thompson, MIMechE all of Moray Road, Elgin Industrial Estate, Swindon, SN2 6DU
<b>Secretary and registered office</b>	John Kirk Barker, FCA Moray Road, Elgin Industrial Estate, Swindon, SN2 6DU

#### Issuing house

J. Henry Schroder Wagg & Co. Limited,  
120 Cheapside,  
London, EC2V 8DS

#### Stockbrokers

Cazenove & Co.,  
12 Tokenhouse Yard,  
London, EC2R 7AN

#### Auditors and reporting accountants

Peat, Marwick, Mitchell & Co.,  
(Chartered Accountants),  
7-11 Station Road,  
Reading, RG1 1LG

#### Solicitors to Isotron

Ashurst, Morris, Crisp & Co.,  
Broadgate House,  
7 Eldon Street,  
London, EC2M 7HD

#### Solicitors to the offer for sale

Clifford-Turner,  
Blackfurns House,  
19 New Bridge Street,  
London, EC4V 6BT

#### Bankers

National Westminster Bank PLC,  
84 Commercial Road,  
Swindon, SN1 5NU

#### Registrars

National Westminster Bank PLC,  
Registrar's Department,  
P.O. Box No. 62,  
37 Broad Street,  
Bristol, BS39 7NH

#### Introduction

Isotron provides the only independent gamma radiation service in the UK. It operates plants at three sites, Swindon, Reading and Bradford, processing a wide variety of products. This service is well established and unrivalled in size and flexibility within the UK. It is used by customers primarily for the following purposes:

- to kill bacteria and other micro-organisms; hence it is used to sterilise medical devices and also to reduce the number of contaminating organisms in veterinary products, cosmetic preparations and certain raw materials; and
- to change the molecular structure of plastics in order to modify their properties. Irradiation improves the heat and abrasion resistance of the insulation on wire and cable for the telecommunication and automotive industries. In another application, plastic slabs are irradiated as a step in the manufacture of foam sheeting as used, for example, in sports equipment and safety wear.

#### History and Development

##### Origins

Isotron was established in late 1983 on the initiative of Thompson Clive & Partners Limited ("Thompson Clive") with the object of acquiring two gamma radiation service companies, Irradiated Products Limited ("IPL") and, through its parent company Gamma Laboratories Limited ("Gamma Laboratories"), Gamma Radiation Services Limited ("GRS"). Both IPL and GRS had been operating since 1970.

The original work in the UK on the science and technology of the use of gamma radiation was carried out between 1958 and 1970 by the United Kingdom Atomic Energy Authority ("UKAEA") at Wantage Research Laboratory ("Wantage"), an out-station of Harwell. The advent of nuclear power reactors provided the means to produce radioisotopes artificially in very large amounts, thus creating the incentive to identify industrial applications. John Grant and Frank Ley, now Isotron Directors, were senior members of the team assigned to this project from its inception. The world's first commercial gamma radiation facility, based on the use of the radioisotope cobalt 60, was commissioned at Wantage in 1960 to demonstrate the technology to industry. There are now about 135 plants operating in 42 countries processing a wide range of products.

##### IPL

In the late 1950's John Grant, Frank Ley and another colleague (who left IPL in 1977) agreed to combine their individual expertise to set up IPL as a service company to exploit the properties of gamma radiation. They secured the financial backing of LRC International plc ("LRC") and in 1970 left the UKAEA to run IPL, which began trading in that year as a wholly-owned subsidiary of LRC.

IPL commenced business by leasing the Wantage radiation plants from the UKAEA and began the design and construction of two new

plants at Swindon; these were completed by the end of 1972. In 1979, IPL expanded its business by opening a further plant on a site adjacent to the M62 near Bradford.

Initially, business from LRC accounted for the majority of IPL's turnover which was primarily generated from the sterilisation of disposable medical products. The range of applications and the customer base grew through the 1970's with the business from LRC representing a progressively smaller proportion of the total. By 1982, it was less than one third. In January 1984 LRC sold IPL to Isotron.

##### GRS

GRS was founded in 1969 and commenced operations in 1970 from a purpose built plant at Reading. The plant was built to a design by John Grant who at that time worked for the UKAEA. In 1974 CRS was acquired, through a new company Gamma Laboratories, by New Court and Partners Limited and a number of individuals including Colin Clive, the present Chairman of Isotron.

Terry Summers joined CRS in 1970 and was appointed managing director of CRS and Gamma Laboratories in 1978. In 1982 control of CRS was acquired by two venture capital funds managed by Thompson Clive with the only other shareholders being Colin Clive and Terry Summers.

GRS has concentrated on the sterilisation of medical disposables for which the Reading plant is specially suited. Following Terry Summers' appointment as managing director, there was a steady growth in both turnover and profits. Gamma Laboratories was acquired by Isotron in January 1984.

##### Isotron

Isotron was established in November 1983. In January 1984 it acquired IPL from LRC for cash and acquired Gamma Laboratories for shares in Isotron. Isotron's founder shareholders included all its current Directors (other than Christopher Thompson) and Thompson Clive. In order to finance the acquisition of IPL and to provide working capital, shares in Isotron were issued to a group of institutional investors, including funds managed by Thompson Clive, IPL and Gamma Laboratories, and its subsidiary GRS, are now dormant companies.

#### Business

##### The plant

A commercial irradiation plant consists of a concrete shielded chamber containing a source of radiation and a conveyor system to carry the product around the source. The radioactive element is contained in a series of stainless steel tubes which are mounted in a frame in a manner designed to produce a uniform field of emitted radiation. When not in use the source is lowered into a safe storage position, either a concrete enclosed pit or a deep pool of water, thus allowing entrance to the treatment chamber. The plant has a facility to allow the periodic replenishment or increase of the radioactive source with the minimum disruption.

The radioisotope most widely used as a source of gamma radiation is cobalt 60. It is produced by exposing cobalt 59 to neutrons in a nuclear reactor. It has a half-life of approximately 5.3 years, equivalent to a loss of radioactivity of about 13% per cent. per annum on a reducing balance basis. This means that the radioactive source in a commercial facility requires replenishing only at reasonably long intervals. Replenishment of the source is achieved by replacing one or more of the stainless steel tubes containing the radioactive material. The source comprises tubes of varying age and hence varying radioactivity strength. The slow decay rate and high penetration of its emission make cobalt 60 particularly suitable for commercial use. The gamma radiation emitted by this radioisotope does not cause any hazard with regard to induced radioactivity in any of the products which have been irradiated. Cobalt 60 is currently the only type of radioisotope used by Isotron.

##### The process

The process consists of exposing the product on the conveyor system to a source of gamma radiation. The plant may be of the "Continuous" type, with the conveyor entering and leaving the cell through labyrinthine and the product being loaded and unloaded in the warehouse. Alternatively, with a "Batch" plant batches of product are taken into the cell to be mounted on a conveyor to circulate around the source - this process offers advantages in flexibility but involves radiation time lost during product change. The period of time and the manner in which the product is exposed are carefully controlled and monitored to give a specific radiation dose. The time of exposure and hence the rate of throughput will depend on the strength of the source. This can be increased with business demand up to the maximum level licensed for a particular plant.

The irradiation process can induce a variety of changes in material which is exposed to it. In particular it has the ability to kill micro-organisms, parasites and insects. It is used for sterilisation of medical products and might be applied in the future in the UK to food for preservation and other purposes. Additionally, irradiation can modify the properties of certain plastics to commercial advantage. The doses of radiation required to achieve different objectives vary over a

wide range, and environmental and other conditions during irradiation can influence the result.

##### The source

Cobalt 60 can only be produced in commercial quantities in certain types of nuclear reactor. The principal world producer is Atomic Energy of Canada Limited ("AECL"); others are Amersham International plc and Commissariat de l'Energie Atomique in France. Isotron is largely dependent on AECL for an adequate supply of cobalt 60; although there have been supply shortages during Isotron's 1985 financial year, Isotron was always able to obtain sufficient cobalt 60 to meet its increasing level of business. AECL is currently contracted with Isotron to supply its forecast requirements of cobalt 60 up to June 1986 and discussions are in progress on requirements beyond that date. AECL has recently confirmed that it has taken steps to increase its production of cobalt 60 in order to meet the needs of gamma processors worldwide. AECL's current estimated deliverable production capacity of cobalt 60 up to June 1987 is 50 MCi; this compares with a total production of 46 MCi between June 1980 and June 1983. Isotron's current requirements are for approximately 1 MCi per annum.

Isotron's purchases of cobalt 60 from AECL are invoiced in U.S. dollars. For purchases made by the Group over the last three years, the U.S. dollar price per curie has risen, on average, by less than 10 per cent. per annum.

##### Capacity

Isotron currently operates four irradiation plants. Two plants, one a Continuous type and the other a Batch type, are located at the Swindon site and a single Continuous type operates at each of the other sites at Reading and Bradford. The Swindon plants were designed by John Grant. The Bradford plant was designed and built by AECL and the Reading plant was built by H.S. Marsh Limited based on a design by John Grant. The current source loadings of the plants and the maximum licensed capacity are as follows:-

Plant	Current source loading MCi	Maximum licensed capacity MCi
Swindon - Continuous	1.15	3.0
Swindon - Batch	0.63	
Bradford	1.30	
Reading	0.78	1.2
	3.86	7.2

It will be seen that Isotron possesses considerable expansion potential within its existing facilities.

The cobalt 60 source emits radiation and is decaying continuously, even when it is in its storage position. Therefore, in order to ensure the most efficient use of the plant, the installed quantity of cobalt 60 is matched as closely as possible to the expected throughput of product to be treated. Furthermore, the objective is to use the source continuously and hence Isotron operates a shift system over 24 hours per day, 7 days per week, on all of its sites.

Isotron's production facilities are supplemented by a research and development capability within the Batch plant at Swindon. This is offered to government and university laboratories as well as to commercial customers for the testing of potential products for irradiation treatment on a commercial scale.

The Directors believe that together the facilities have the greatest processing capacity in Europe and the different types of plant provide the necessary flexibility to handle a wide range of product types and sizes involving different doses, dose rates and environmental conditions.

##### Safety

The operation of gamma radiation plants in the UK is regulated by the Health and Safety Executive of the Department of Employment and operators must be licensed by the Department of the Environment to store radioactive sources. Facilities are subject to regular inspection. Isotron's management has considerable experience in the safe use of the irradiation process and the operation of the plant, including the storage and replenishment of large radiation sources. All the Isotron facilities have been constructed and are operated in such a way as to comply with the requirements of the Ionising Radiations (Sealed Sources) Regulations 1969 and 1985 and Isotron has for some time followed policies which are now codified in the Approved Code of Practice relating to the 1985 Regulations.

##### Markets and customers

Isotron's service is used by customers for the following purposes:-

##### Medical

- sterilisation of medical devices, e.g. surgeons' gloves, surgical dressings, catheters, syringes and needles, bottle tests and orthopaedic implants;
- sterilisation of pharmaceutical products and ingredients, e.g. antibiotic preparations, contact lens solutions, surgical sutures, talcum and kaolin powder;



- sterilisation of packaging materials, e.g. bottles, ampoules, bags and reels of packaging materials;
- sterilisation of special equipment for hospitals to cater for individual requirements, e.g. special procedure packs for surgeons.

#### Biological

- treatment of animal diets to render them free of pathogenic bacteria;
- treatment of cosmetic preparations, such as shampoos, creams, skin pills and eye make-up, so as to reduce the number of micro-organisms;
- disinfection of agricultural products, e.g. control of Anthrax bacteria in hair and prevention of Paul Brood in apianes.

#### Chemical

- improvement of the properties of the insulation on wire and cable;
- conversion of waste industrial plastic into a useful form;
- as a stage in the manufacturing process for the conversion of plastic alab into foam sheeting;
- treatment of plastic tubing in cases in which shrink when subsequently heated, for insulation purposes;
- polymerisation of liquid monomers at a controlled rate, e.g. in the production of wood/plastic composites.

The table under "Trading record" below provides an analysis of turnover between these three areas.

Isotron's largest customer is LRC. In the nine months ended 31st March 1985 business from LRC accounted for approximately one sixth of turnover. There is an agreement dated 8th January 1984 between Isotron and LRC whereby LRC is committed, subject to certain conditions, to offer Isotron a certain minimum value of business up to January 1986 and thereafter all of its and its subsidiaries' irradiation business until January 1988. The next largest customer represented just over five per cent of Isotron's turnover in the nine months ended 31st March 1985 and the ten largest customers together represented around 50 per cent of turnover in this period. There are currently around 500 active customer accounts.

Isotron's turnover is almost all derived from within the UK.

#### Competition

In the UK there are six gamma irradiation plants in addition to the four operated by Isotron. They are used primarily for the sterilisation of medical products, being owned by medical product companies and operated in-house. However, one offers a limited service facility to third parties. Isotron offers the only multi-purpose radiation service within the UK. There are gamma radiation service facilities in continental Europe but these do not compete directly with Isotron for the bulk of its business because of the high cost of transport.

Electron beam machines are an alternative source of radiation for industrial processing. They produce high speed electrons which have a similar effect in gamma rays. They are being used for in-line processing of products of a low density or those which require only surface treatment. A very large volume of rubbers and plastics are treated in this way. There are a number of electron beam machines within the UK, but only one company offers an electron beam service facility and this is primarily used in the chemical area.

Several companies within the UK offer an alternative cold sterilisation service using ethylene oxide gas. This process has become less commercially attractive following the introduction of more stringent health and safety requirements. The Directors are of the opinion that, as has already been the case in the United States, radiation will be increasingly favoured in the UK over the gaseous method.

### Directors, management and employees

#### Chairman

Colin Clive, aged 46, was appointed the Chairman of Isotron in December 1983. He was a founder shareholder and director in 1974 (and subsequently Chairman) of Gamma Laboratories and a director of its subsidiary CRS. He has a degree in electrical engineering from the Massachusetts Institute of Technology and an MBA from Harvard Business School. His career has included five years with IBM, five years at Bankers Trust Co. where he was a vice-president and helped to build up its London merchant banking subsidiary, Bankers Trust International, and five years with New Court & Partners, the venture capital arm of N.M. Rothschild, where he was joint managing director. He has participated in starting up or developing a number of companies in high technology fields. He is managing director of Thompson Clive which manages two venture capital funds concentrating on high technology investment in the UK and the USA. He is chairman of DPCE Holdings plc, a director of Northern Securities Trust plc and is the chairman or a director of a number of small to medium sized unquoted companies, mainly in the high technology field.

#### Executive Directors

The day to day management of Isotron is the responsibility of three executive directors.

John Grant, aged 58, has been Managing Director of Isotron since the acquisition of IPI and Gamma Laboratories in January 1984 and was previously joint managing director of IPI. He is a chartered engineer. From 1955 to 1970 he worked for the UKAEA at Warrington, concentrating on the design and commissioning of the first large scale irradiation facility in the UK. He was later responsible for all engineering work at Warrington. In 1970 he left the UKAEA to become a founder director of IPI.

Frank Ley, aged 57, has been Technical and Marketing Director of Isotron since the acquisition of IPI and Gamma Laboratories and was previously joint managing director of IPI. He has an honours degree in biochemistry from the University of Aberdeen. After several years in the food research department of Unilever he joined the UKAEA in 1959 as a Principal Scientific Officer to lead a team investigating the irradiation of food and medical products at Warrington. He left in 1970 to become a founder director of IPI. He has published numerous scientific papers on radiation processing and holds fellowships of the Institute of Biology and the Royal Society of Health.

Terry Summers, aged 53, has been Operations and Sales Director of Isotron since the acquisition of IPI and Gamma Laboratories and has particular responsibility for the Swindon site. Following work in the hospital laboratory service he joined Gillette Industries Limited in 1963 and was part of the team responsible for the development of sterilisation processes and in particular for the development and operation of Gillette's gamma sterilisation plant. He joined CRS in 1970 as general manager, being appointed a director in 1973 and managing director of CRS and Gamma Laboratories in 1978. He is a Fellow of the Institute of Medical Laboratory Sciences.

#### Non-executive Directors

Charles Fletcher, aged 41, has been a Director of Isotron since December 1983 and is a director of Gamma Laboratories and CRS from 1980. After qualifying as a chartered accountant he worked for First National Finance Corporation for five years and thereafter for Grindlays Bank for two years. In 1980 he joined Thompson Clive, becoming a director in 1983. He was Company Secretary of Isotron until March 1983.

Andrew Sella, aged 36, was appointed a Director of Isotron in December 1983. He qualified as a chartered accountant in 1971 and subsequently joined Schroders. In 1982 he moved to Thompson Clive, where he is joint managing director of its venture capital funds. He is closely involved, in some cases as a director, in a number of unquoted companies, mainly in areas of technology.

Christopher Thompson, aged 57, joined the board of Isotron in April 1985 as an independent Director, having no connection with the Thompson Clive organisation. He has extensive experience of the engineering industry and was a director of Northern Engineering Industries plc and group managing director of its International and Projects Group. He is retained as a consultant by NEL. He is also a Birmingham area local director of Barclays Bank plc and chairman of Wynn Electronics Limited.

#### Management

There are four senior managers directly responsible to the executive directors.

John Barker, aged 37, is Financial Controller and Company Secretary. He joined Isotron in January 1985 from The Burnham Oil PLC, where he was group management accountant. He is a chartered accountant.

Anthony Berton, aged 47, is Group Services Manager. He joined IPI in 1978 from the Royal Air Force, where he was a Chief Technician managing an instrument servicing unit.

David Fletcher, aged 46, is Site Manager at Bradford. He joined IPI in 1978 from the Royal Air Force, where he was a Flight Sergeant managing aircraft servicing and repair units.

Kenneth Jeffery, aged 49, is Site Manager at Reading. He joined CRS in 1980 and was previously a service engineer with Pyle Unicom.

#### Employees

The average number of employees of the Group over the last three financial years was 58. Excluding Directors, the Group currently has 57 full-time and seven part-time employees. Of these, 41 are engaged in processing, five in plant and building maintenance and 18 in administration. 16 are employed at Bradford, 16 at Reading and 22 at Swindon.

### Finance

#### Fixed assets

Isotron's business is capital intensive. The Directors estimate that the replacement cost of Isotron's four plants including cobalt 60 at present capacity would be in excess of £11 million, as compared with a book value of £4 million. This is reflected in Isotron's accounts. In Isotron's pro forma balance sheet as at 31st March 1985, adjusted to take into account the effect of the offer for sale, which is set out below, fixed assets are shown at historical cost less accumulated depreciation, with the exception of freehold land and buildings, which were revalued in 1981 and cobalt 60, which was revalued in 1984.

#### Trading record

The trading record of the Group for the five years ended 30th June 1984 and the nine months ended 31st March 1985 is set out below under "Accountants' report".

This analysis of turnover by market sector and profit before taxation over this period is shown in the following table:

	Years ended 30th June				Nine months ended	
	1980	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	639	743	950	1,167	1,385	1,202
Medical	229	271	307	330	367	384
Biological	160	288	257	321	362	388
Chemical	250	184	386	516	656	430
	1,048	1,272	1,514	1,818	2,144	1,824

Profit before taxation 246 291 454 559 703 788

On the basis of the trading record above and the estimates set out below, turnover and profit before taxation, which includes interest payable or receivable, have grown by 20.5 per cent and 35.1 per cent, compound respectively over the 5 year period to 30th June 1985 and by 24.5 per cent and 56.3 per cent over the last year.

Although the mix of business has remained substantially the same over the period, with the medical sector accounting for about 60 per cent of turnover, the Group has been successful in increasing the total volume of products processed. This growth, given that a high proportion of the costs associated with the business are fixed, together with increased selling prices, has resulted in higher profitability.

#### Profit estimates

The Directors estimate, in the absence of unforeseen circumstances and on the basis of the audited accounts for the nine months ended 31st March 1985 and estimates for the three months ended 30th June 1985, profit before taxation for the year to 30th June 1985 of £1,120,000 on turnover of £2,670,000.

Peat, Marwick, Mitchell & Co. and Schroders have reported to the Directors on these estimates and their letters are set out in Section 11 of "Additional information". On the basis of the expected tax charge of 47 per cent, the profit after taxation but before extraordinary items is estimated to be £594,000 and earnings per ordinary share, calculated on the basis described in note 4.7 of the Accountants' report, are 5.2p.

This expected tax charge of 47 per cent is higher than the underlying rate of U.K. corporation tax of 43.75 per cent, for the period to 30th June 1985. This reflects the combined impact of the disallowable depreciation on cobalt revaluations in the year to 30th June 1984, particularly with regard to IPI's cobalt (which had not been previously revalued), the reduction in capital allowances introduced in the Finance Act 1984, and greater operating efficiencies achieved since the merger of the businesses of IPI and Gamma Laboratories which have allowed a deferral of cobalt purchases and hence lower allowable capital expenditure. The Directors do not, however, anticipate that Isotron's tax charge will continue to be higher than the underlying rate of U.K. corporation tax.

Pro forma earnings per ordinary share are based on the number of ordinary shares which will be in issue following the offer for sale and estimated profit before taxation for the year to 30th June 1985, adjusted for a full year's interest at 10 per cent (before taxation) on the net proceeds of the offer for sale (after redemption of the redeemable preference shares of Isotron and expenses of the offer for sale) and the minimum tender price of 120p.

There will be 12,300,000 ordinary shares in issue following the offer for sale. Estimated profit before taxation, adjusted as described above, would be £1,220,000. On the basis of these figures and the expected tax charge of 47 per cent, pro forma earnings per ordinary share are 5.2p. On the basis of a notional tax charge of 55 per cent, pro forma earnings per ordinary share are 6.4p.

The minimum tender price of 120p per ordinary share represents a multiple of 24.6 times pro forma earnings per ordinary share-actual tax and 18.7 times pro forma earnings per ordinary share-notional tax.

#### Dividends

The ordinary shares now being offered for sale will rank in full for all dividends hereafter declared. The Directors expect, in the absence of unforeseen circumstances, to recommend the payment of dividends in respect of the year ending 30th June 1986 of not less than 1.25p per share (1.79p inclusive of related tax credit), which would represent a gross dividend yield of 1.5 per cent, at the minimum tender price. This level of dividend would be covered 6.2 times by pro forma earnings for the year to 30th June 1985 on the basis of a notional tax charge of 35 per cent, as calculated above.

No dividend on ordinary shares will be paid in respect of the year to 30th June 1985. In future years it is intended that an interim dividend will be paid in May and a final dividend in December.

### Prospects

The Directors anticipate continuing growth in all the main areas of Isotron's irradiation activities. There has been an increased demand for irradiation of pharmaceutical, cosmetic and toiletry products themselves or their raw materials, which the Directors expect to continue as a result of a greater awareness of product hygiene. The use of disposable medical devices in hospitals is well established and increasing. The volume of business is being further enhanced by the use of pre-assembled operation procedure packs and disposable gowns and drapes.

Applications involving radiation chemistry can be further expanded, concentrating on the modification of rubber plastics to improve their properties. Although this is an area largely dominated by the use of electron beam machines, the volume of products is so great that even a small share of this business would have a significant impact on Isotron's throughput.

Irradiation of food, for preservation or other purposes, is an area which is not yet open to Isotron but the potential volume is large. Restrictive legislation exists in the UK pending evidence of the safety of irradiated food for human consumption. A government committee is currently reviewing the situation and is expected to report later this year. If legislation is amended to lift the restrictions the Directors foresee that the initial application would be to herbs, spices and other food ingredients to kill micro-organisms and insects, so replacing the use of chemical treatment. A number of companies are already using Isotron's research and development facilities for studies on a variety of foods.

Isotron is able to handle higher volumes of business in its present facilities, merely by installing more cobalt 60 until the licensed limits are reached. However, in view of anticipated future growth the Directors have decided to commission a further plant and studies on location and plant design have already commenced. The plant is expected to cost in the order of £3 million (including cobalt) and to be fully operational in 1987.

### Reasons for the offer for sale

The Directors consider that Isotron is at a stage in its development which is appropriate for a listing. This should enhance the standing of Isotron and give it access to the capital markets to finance the development of its business.

3,290,088 ordinary shares are being offered for sale, representing 26.7 per cent of Isotron's issued ordinary share capital, as increased. Of these, 290,088 shares are being sold by existing shareholders and 3,000,000 new shares are being issued by Isotron.

The gross proceeds of the offer for sale amount to £2.6 million at the minimum tender price. Of this sum, £0.8 million is due to selling shareholders and £2.0 million to Isotron. The amount received by Isotron will be applied as follows:

- £1.6 million to redeem at par the redeemable preference shares in Isotron;
- £0.4 million to the expenses of the offer for sale; and
- the balance of £1.0 million, and any further sum arising from the sale of ordinary shares at above the minimum tender price, usually to working capital and then to finance the further expansion of Isotron's business, in particular towards the cost of a new plant as referred to above under "Prospects".

### Pro forma balance sheet

Set out below is a pro forma balance sheet for Isotron based on the audited balance sheet as at 31st March 1985, adjusted for the net proceeds of the offer for sale at the minimum tender price and the capital reorganisation referred to in Note 2 below.

	31st March 1985	Pro forma
	£'000	£'000
Employment of capital:		
Fixed assets	3,815	3,815
Current assets		
Stocks	8	8
Debtors and prepayments	608	608
Excesses	295	295
Cash at bank and in hand	1,685	1,685
	1,596	1,596
Creditors: Amounts falling due within one year	(736)	(736)
Net current assets	860	860
Provisions for liabilities and charges	(440)	(440)
Net assets	4,235	4,235
Capital employed:		
Capital and reserves		
Ordinary shares	50	3,078
Convertible participating preferred ordinary shares	2,400	—
Cumulative redeemable preference shares	1,600	—
Share premium account	—	1,975
Profit and loss account	185	183
	4,235	5,233

#### Notes:

- The above figures do not incorporate the estimated replacement value of fixed assets as referred to in "Fixed assets" under "Finance" above.
- In summary, the capital reorganisation, which will become effective on the ordinary share capital of Isotron being admitted to the official list by the Council of The Stock Exchange, involves the following:—

- The convertible participating preferred ordinary shares of £1 each being converted into 2,250,000 deferred shares of £1 each and 150,000 ordinary shares of £1 each.
- Each of the existing ordinary shares of £1 each being sub-divided into 4 ordinary shares of 25p each.
- The authorised share capital being increased in £5,300,000 by the creation of 4,600,000 ordinary shares of 25p each.
- The purchase by Isotron of the 2,250,000 deferred shares of £1 for an aggregate consideration of £2,250 and the resulting authorised but unissued shares of £1 each being converted and sub-divided into 9,000,000 ordinary shares of 25p each.
- Conditional upon the purchase and conversion of the deferred shares, the amount of £2,250,000 standing to the credit of the capital redemption reserve account being capitalised and distributed by way of 6,000,000 ordinary shares of 25p credited as fully paid to holders of ordinary shares in the proportion of 45 shares for every 4 shares held following the reclassification and sub-division referred to above.
- The redemption of the redeemable preference shares subsequent to the offer for sale and conditional thereon, the resulting £1,600,000 authorised but unissued share capital being converted into 6,400,000 ordinary shares of 25p each.

### Accountants' Report

The Directors,  
Isotron plc,  
Murray Road,  
Elgin Industrial Estate,  
Swindon, SN2 6DU  
Gentlemen,

Isotron plc ("Isotron") was incorporated on 21st November 1983 and became a holding company in January 1984 when it acquired the share capital of Irradiated Products Limited ("IPL") for cash and those of Gamma Laboratories Limited ("Gamma Laboratories") and its subsidiary Gamma Radiation Service Limited ("GRS") in exchange for shares. In order to fund the acquisition of IPL, Isotron issued additional shares on 9th January 1984. IPL and GRS were established companies providing gamma irradiation services. Isotron and its subsidiaries are collectively referred to as "the Group".

We have examined the audited accounts of Isotron and its current subsidiaries covering the five financial years ended 30th June 1984 and the nine month period ended 31st March 1985. For periods prior to 9th January 1984 the profit and loss accounts and source and application of funds statements of IPL, Gamma Laboratories and GRS have been combined for the purposes of this report so as to disclose respectively the results and movements of funds of the businesses now constituting the Group. For periods subsequent to 9th January 1984 the profit and loss accounts and source and application of funds statements of Isotron and its subsidiaries have been consolidated. Similarly for accounting dates prior to 30th June 1984 the balance sheets of IPL, Gamma Laboratories and GRS have also been combined, whereas at 30th June 1984 and 31st March 1985 the balance sheets of Isotron and its subsidiaries have been consolidated. The summarised historical cost profit and loss accounts, balance sheets and source and application of funds statements prepared on this basis, which are set out below, are based on the audited accounts of Isotron and its current subsidiaries after making all such adjustments as we consider necessary.

In our opinion the summarised financial information of the Group as presently constituted set out below together with the notes thereon give a true and fair view of the profits and source and application of funds of the Group for the periods stated and of the state of affairs of the Group at 31st March 1985 and at the end of each of the five financial years to 30th June 1984.

No audited accounts of Isotron or any of its subsidiary companies have been made up in respect of any period subsequent to 31st March 1985.

#### 1. Profit and loss accounts

The summarised profit and loss accounts of the Group for the five years ended 30th June 1984 and the nine month period ended 31st March 1985 prepared on the basis set out above are as follows:—

	Note	1980	1981	1982	1983	1984	1985
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover		1,048	1,272	1,514	1,818	2,144	1,824
Cobalt depreciation	4.2	(104)	(136)	(159)	(247)	(380)	(283)
Other cost of sales		(360)	(476)	(519)	(560)	(581)	(442)
Gross profit		584	660	836	1,011	1,203	1,189
Administrative expenses		(291)	(330)	(362)	(452)	(517)	(456)
Operating profit		293	330	474	559	686	733
Interest receivable		—	—	—	3	19	39
Interest payable		(44)	(38)	(20)	(5)	(2)	—
Profit on ordinary activities before taxation		249	292	454	559	703	788
Taxation on profit on ordinary activities	4.4	(32)	(134)	(182)	(253)	(281)	(372)
Profit on ordinary activities after taxation		197	158	272	306	422	416
Extraordinary items	4.5	—	—	—	—	(176)	(142)
Profit for year/period		197	158	272	306	246	274
Dividends	4.8	(105)	(95)	(443)	(132)	(564)	(114)
Retained profit/(deficit) for year/period		61	63	(171)	174	(318)	160
Earnings per 25p ordinary share	4.7	2.0p	1.6p	2.2p	3.0p	3.8p	3.6p
Dividends per 25p ordinary share	4.7	1.1p	1.0p	4.8p	1.3p	5.4p	0.6p

### 2. Balance sheets

The summarised balance sheets of the Group at 31st March 1985 and at the end of each of the five financial years to 30th June 1984 prepared on the basis set out above are as follows:—

	Note	1980	1981	1982	1983	1984	1985
		£'000	£'000	£'000	£'000	£'000	£'000
Employment of capital:							
Fixed assets		—	—	—	—	142	—
Goodwill		—	—	—	—	3,665	3,815
Tangible assets	4.8	2,137	2,166	2,557	2,625	4,110	3,815
Current assets							
Stocks		3	4	5	5	5	6
Debtors and prepayments	4.6	268	213	257	366	493	608
Investments	4.10	—	—	—	—	—	295
Cash at bank and in hand		3	1	45	43	371	685
		304	218	307	434	869	1,596
Creditors: Amounts falling due within one year	4.11	(331)	(163)	(172)	(407)	(439)	(736)
Net current assets		(27)	55	135	27	430	860
Net assets		1,462	1,551	3,222	2,233	4,076	4,235
Capital employed:							
Called up share capital	4.13	173	173	173	173	4,050	4,050
Shareholders' loans	4.14	883	633	1,336	1,073	—	—
Reserves		606	745	613	977	25	185
		1,462	1,551	3,222	2,233	4,076	4,235

### 3. Source and application of funds

The summarised source and application of funds of the Group for the five years ended 30th June 1984 and the nine month period ended 31st March 1985 prepared on the basis set out above are as follows:—

	1980	1981	1982	1983	1984	31st March 1985
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Source of funds</b>						
Profit on ordinary activities before taxation	249	291	454	559	703	788
Adjustments for items not involving the movement of funds:						
Depreciation	167	192	217	306	415	335
Total generated by operations	416	483	671	865	1,118	1,123
Funds from other sources						
Share capital	—	—	—	—	3,250	—
Increase in shareholders' loans	—	40	713	—	—	—
Increase in loans	139	—	—	—	—	—
Proceeds of disposal of fixed assets	13	15	5	—	—	—
	567	538	1,389	865	4,368	1,123
<b>Application of funds</b>						
Purchase of fixed assets	(442)	(241)	(384)	(375)	(632)	(182)
Taxation paid	(14)	(20)	(50)	(122)	(111)	(190)
Dividends paid	(46)	(148)	(450)	(133)	(564)	(40)
Repayment of loans	(70)	(1)	(333)	—	—	—
Formation expenses paid	—	—	—	—	(34)	—
Decrease in shareholders' loans	—	—	—	(263)	(1,073)	—
Purchase of IPT shares	—	—	—	—	(1,408)	—
	(5)	128	162	(27)	546	711
<b>Components of increase/(decrease) in working capital</b>						
Stock	—	1	1	—	—	3
Debtors	56	(1)	65	57	107	115
Investments	—	—	—	—	—	235
Creditors falling due within one year	(42)	155	(3)	(82)	111	(16)
Movement in net liquid funds:						
Increase/(decrease) in cash at bank and in hand	2	(2)	44	(2)	328	314
Decrease/(increase) in bank overdraft	(21)	(25)	55	—	—	—
	(5)	128	162	(27)	546	711



## (d) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

## (e) Turnover

Turnover represents amounts invoiced by the Group in respect of services provided during the period, excluding value added tax.

## 4.3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Nine months ended 31st March				
	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
Depreciation (note 4.2 (b))	167	192	217	306	415
Hire of plant and equipment	13	53	61	70	80
Directors' remuneration	42	63	69	90	106
Audit fees	4	5	8	7	5
Bank interest payable	8	20	4	3	2
Interest on other loans repayable within five years	36	19	16	—	—
Management service charges payable to Thompson Clive	5	8	7	15	8

## 4.4 Taxation

	Nine months ended 31st March				
	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
United Kingdom Corporation tax	11	(116)	(153)	(228)	(238)
Deferred taxation	(63)	(18)	(29)	(35)	(53)
	(52)	(134)	(182)	(263)	(291)

	Nine months ended 31st March				
	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
The taxation charge was reduced/(increased) by:					
Benefit of capital allowances	57	17	61	69	128
Benefit of small companies relief	1	7	10	13	10
Utilisation of tax losses brought forward	19	—	—	—	—
Disallowable expenditure (principally depreciation of cobalt revaluation surpluses)	—	(7)	(17)	(54)	(82)
	77	17	54	28	56

The taxation charge for the nine months ended 31st March 1985 is based on the anticipated effective rate for the year to 30th June 1985.

## 4.5 Extraordinary items

	Nine months ended 31st March				
	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
Formation expenses	34	—	—	—	—
Goodwill written off	—	—	—	—	144
	34	—	—	—	144

## 4.6 Dividends

	Nine months ended 31st March				
	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
To former shareholders of IPL	106	88	432	117	526
To former shareholders of Gamma Laboratories	—	7	11	15	—
Preference dividends	—	—	—	—	38
Preferred ordinary dividends	—	—	—	—	54
	106	95	443	132	564

## 4.7 Earnings and dividends per ordinary share

The calculations of earnings per ordinary share are based on the profit after taxation and preference dividends but before extraordinary items and on 8,000,000 ordinary shares of 25p each, being the number of ordinary shares in issue immediately following the changes in share capital referred to in sub-paragraphs (a) to (e) of note 4.13 below and before the redemption of preference shares and the issue of 2,500,000 new ordinary shares in connection with the offer for sale. Dividends per ordinary share are based on all dividends except preference dividends.

## 4.8 Fixed assets

At 31st March 1985 fixed assets comprised the following:-

	At Cost	At Valuation	Depreciation	Book Value
	£'000	£'000	£'000	£'000
Freehold land and buildings	123	755	44	834
Cobalt	446	2,791	630	2,617
Plant and machinery	733	—	391	342
Furniture, fittings and equipment	84	—	32	52
Total	1,386	3,546	1,067	3,615

Freehold land and buildings were valued in 1981 on an open market basis by King & Co., Chartered Surveyors. Cobalt was last valued by the directors on 9th January 1984 at current prices.

## 4.9 Debtors and prepayments

	30th June 1984	31st March 1985
	£'000	£'000
Trade debtors	416	531
Other debtors	9	13
Prepayments	58	64
	483	608

## 4.10 Investments

	30th June 1984	31st March 1985
	£'000	£'000
Government Securities at cost (market value £288,000)	—	288

## 4.11 Creditors: Amounts falling due within one year

	30th June 1984	31st March 1985
	£'000	£'000
Trade creditors	66	71
Corporation tax	286	503
Other taxes	21	42
Payroll taxes	4	3
Other creditors	30	5
Accruals	32	38
Dividends	—	74
	439	738

## 4.12 Provisions for liabilities and charges - deferred taxation

The amount provided and the full potential liability to deferred taxation is as follows:-

	30th June 1984	31st March 1985
	Amount provided	Amount provided
	£'000	£'000
Corporation tax deferred in respect of:		
Accelerated capital allowances	481	785
Revaluation surpluses	—	454
	481	1,239
Advance corporation tax recoverable	(16)	(32)
	465	1,207

## 4.13 Called up share capital

Isotro's share capital at 31st March 1985 was:-

	Convertible participating preferred ordinary shares	Cumulative redeemable preference shares	Ordinary shares	Total
Authorised	2,400,000	1,500,000	150,000	4,150,000
Issued	2,400,000	1,500,000	50,000	4,050,000

Pursuant to special resolutions passed on 28th June 1985 and conditional on the ordinary share capital of Isotro being admitted to the Official List not later than 31st July 1985:

- The convertible participating preferred ordinary shares of £1 each were converted into 2,400,000 deferred shares of £1 each and 150,000 ordinary shares of £1 each.
- Each of the existing ordinary shares of £1 each was sub-divided into 4 ordinary shares of 25p each.
- The authorised share capital was increased to £3,300,000 by the creation of 4,000,000 ordinary shares of 25p each.
- Isotro purchased the 2,250,000 deferred shares of £1 for an aggregate consideration of £2,250 and the resulting authorised but unissued shares of £1 each were converted and sub-divided into 9,000,000 ordinary shares of 25p each.
- Conditional upon the purchase and conversion of the deferred shares, the amount of £2,250,000 standing to the credit of the capital redemption reserve account was capitalised and distributed by way of 5,000,000 ordinary shares of 25p credited as fully paid to holders of ordinary shares in the proportion of 45 shares for every 4 shares held following the reclassification and sub-division referred to above.
- Conditional upon the redemption of the redeemable preference shares subsequent to the offer for sale, the resulting £1,600,000 authorised but unissued share capital was converted into 6,400,000 ordinary shares of 25p each.

## 4.14 Reserves

	Nine months ended 31st March				
	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of year	357	448	624	365	568
Retained profit/(deficit) for year	91	62	(171)	194	(328)
Transfer of depreciation on revaluation surplus from revaluation reserves	—	14	12	39	183
Bonus issue of shares	—	—	—	—	(1)
Capitalised on acquisition of IPL and Gamma Laboratories by Isotro	—	—	—	—	(397)
Balance at end of year	448	524	465	568	185

## (b) Revaluation reserve

	Nine months ended 31st March				
	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of year	140	248	231	448	409
Surplus arising on revaluation of cobalt	106	—	229	—	1,133
Deficit on revaluation of freehold property	—	(3)	—	—	—
Transfer of depreciation on revaluation surplus to distributable reserves	—	(14)	(12)	(39)	(183)
Capitalised on acquisition of IPL and Gamma Laboratories by Isotro	—	—	—	—	(355)
Balance at end of year	246	231	448	409	—

## 4.15 Commitments

(a) Capital expenditure authorised and contracted for at 31st March 1985 was £1,103,000 (1984: £1,139,000).

(b) The future minimum lease payments, all of which related to non-cancellable operating leases, to which the Group was committed as at 31st March 1985 amounted to £87,000 (1984: £111,000) and fall due as follows:

	£'000
3 months to 30th June 1985	9
Year to 30th June 1986	28
Year to 30th June 1987	21
Year to 30th June 1988	6
Year to 30th June 1989	2
Year to 30th June 1990 and after	1

## 4.16 Auditors to Group companies

We have audited the accounts of Isotro for the period ended 30th June 1984 and the nine months ended 31st March 1985. Prior to 9th January 1984 the accounts of IPL were audited by Ernst & Whinney and the accounts of Gamma Laboratories and GRS were audited by ourselves.

Yours faithfully,  
Peat, Marwick, Mitchell & Co.  
Chartered Accountants

## Additional information

## 1. Isotro and its share capital

(a) Isotro was incorporated and registered in England and Wales on 28th November 1983 as a private limited company under the Companies Act 1948 to 1981 (registration number: 1771333) with the name of Bricktron Limited. Pursuant to a special resolution passed on 12th December 1983 the name of the company was changed on 22nd December 1983 to Isotro Limited. Pursuant to a Special Resolution passed on 8th December 1984, Isotro was re-registered as a public limited company on 21st December 1984.

(b) Isotro was incorporated with an authorised share capital of £100, divided into 100 ordinary shares of £1 each, and two ordinary shares of £1 each were issued and paid up on incorporation. Since the date of incorporation there have been the following changes in the share capital:-

(i) By an ordinary resolution passed on 16th December 1983 the authorised capital of Isotro was increased to £50,000 by the creation of 45,000 ordinary shares of £1 each. On the same date the two nil paid shares were paid up and 88 ordinary shares were allotted to various subscribers for cash at par.

(ii) On 4th January 1984, 49,900 ordinary shares of £1 each were issued to the Directors, managers and others for cash at par.

(iii) By a special resolution passed on 9th January 1984 the authorised share capital of Isotro was increased to £1,000,000 by the creation of 2,400,000 convertible participating preferred ordinary shares of £1 each (the "preferred ordinary shares") and 1,500,000 5% cumulative redeemable preference shares of £1 each (the "redeemable preference shares"). On that date 1,500,000 preferred ordinary shares and 1,500,000 redeemable preference shares were issued and allotted to various subscribers at par for cash with a view to the acquisition of IPL and 800,000 preferred ordinary shares were issued as consideration for the purchase of Gamma Laboratories.

(iv) On 5th December 1984, the authorised share capital of Isotro was increased to £4,150,000 by the creation of 100,000 ordinary shares of £1 each.

(v) Pursuant to special resolutions passed on 28th June 1985 and also (where appropriate) the consent or sanction given by the holders of each class of share in the capital of Isotro, subject to and conditional on the ordinary share capital of Isotro issued and to be issued being admitted to the Official List by the Council of The Stock Exchange not later than 31st July 1985:-

- The 2,400,000 preferred ordinary shares of £1 each were converted into 150,000 ordinary shares of £1 each and 2,250,000 deferred shares of £1 each (the "deferred shares").
- Each of the existing ordinary shares of £1 each was sub-divided into 4 ordinary shares of 25p each.
- The authorised share capital of Isotro was increased to £3,300,000 by the creation of an additional 4,000,000 new ordinary shares of 25p each.
- New Articles of Association were adopted.
- The contract referred to in paragraph (b)(c) below for the purchase of the deferred shares was approved.
- The 2,250,000 authorised but unissued shares of £1 each resulting from the purchase of the deferred shares were converted and sub-divided into 9,000,000 new ordinary shares of 25p each.
- The Directors were unconditionally authorised pursuant to Section 14 of the Companies Act 1985 (as re-enacted by Section 80 of the Companies Act 1985) to allot relevant securities (as defined in that Section):-
  - In order to effect the capital re-organisation referred to herein and the allotment of the new ordinary shares pursuant to the offer for sale such authority to expire on 31st July 1985 or on the date following the date on which the ordinary shares of 25p each in the capital of Isotro are admitted to the Official List by the Council of The Stock Exchange (whichever is the earlier); and
  - For any other purpose thereafter up to a maximum nominal amount of £900,000 such authority to expire on 25th June 1985.
- The Directors were empowered until the conclusion of the Annual General Meeting of Isotro in 1985 to allot equity securities as defined in Section 171(1) of the Companies Act 1985 (and as re-enacted by Section 94(2) of the Companies Act 1985) pursuant to the authority referred to in A above as if Section 171(1) of the Companies Act 1985 (and as re-enacted by Section 94(2) of the Companies Act 1985) did not apply to such allotment provided that the power contained in sub-paragraph C above is limited to the allotment of equity securities:-
  - In connection with a rights issue subject to such exclusions or other arrangements that the Directors may deem expedient in relation to fractional entitlements or legal or practical problems; and
  - In connection with the capital re-organisation referred to herein and the allotment of the new ordinary shares pursuant to the offer for sale such authority to expire on 31st July 1985 or on the date following the date on which the ordinary shares in the capital of Isotro are admitted to the Official List by the Council of The Stock Exchange (whichever is the earlier); and
  - For any other purpose thereafter up to a maximum nominal amount of £180,000.
- The sum of £2,250,000 was capitalised and distributed by way of 9,000,000 new ordinary shares created as fully paid to the holders of ordinary shares resulting from the sub-division and reclassification referred to in A and B above in the proportion of 45 shares for every 4 then held; and
- Conditional upon the redemption of the redeemable preference shares the resultant and undersubscribed £1,600,000 of the authorised but unissued share capital of Isotro was converted into and designated as 6,400,000 new ordinary shares of 25p each and the Articles of Association were amended by the deletion of all references to the redeemable preference shares.

(c) The ordinary shares being offered for sale will be registrable in due course but are being offered for sale in non-transferable form.

(d) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(e) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(f) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotro (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotro in general meeting.

(g) The ordinary shares of Isotro are to be registered in due course but are being offered for sale in non-transferable form.

(h) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(i) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(j) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotro (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotro in general meeting.

(k) The ordinary shares of Isotro are to be registered in due course but are being offered for sale in non-transferable form.

(l) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(m) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(n) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotro (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotro in general meeting.

(o) The ordinary shares of Isotro are to be registered in due course but are being offered for sale in non-transferable form.

(p) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(q) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(r) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotro (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotro in general meeting.

(s) The ordinary shares of Isotro are to be registered in due course but are being offered for sale in non-transferable form.

(t) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(u) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(v) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotro (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotro in general meeting.

(w) The ordinary shares of Isotro are to be registered in due course but are being offered for sale in non-transferable form.

(x) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(y) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(z) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotro (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotro in general meeting.

(aa) The ordinary shares of Isotro are to be registered in due course but are being offered for sale in non-transferable form.

(ab) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(ac) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(ad) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotro (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotro in general meeting.

(ae) The ordinary shares of Isotro are to be registered in due course but are being offered for sale in non-transferable form.

(af) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v) above.

(ag) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotro.

(ah) Following the offer for sale, 8,000,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isot



## 4. Directors and other interests

(a) The beneficial interests (as defined in the Companies Act 1985) of the Directors in the share capital of Isotron immediately following the offer for sale but (with the exception of Mr. C. R. Thompson who will be allocated 10,000 shares in the offer for sale at the striking price) disregarding any ordinary shares which may be allocated to Directors pursuant to applications made under the offer for sale will be:

	Number of ordinary shares	Percentage
C. C. Clive	640,259	5.2
J. Grant	417,000	3.4
F. J. Ley	390,000	3.2
T. F. Summers	375,980	3.1
C. E. Fitzherbert	75,000	0.6
E. A. P. Sells	75,000	0.6
C. R. Thompson	10,000	0.1

(b) Following completion of the offer for sale, so far as the Directors are aware, the following will be interested in 5 per cent. or more of the issued share capital of Isotron—

	Number of ordinary shares	Percentage
C. C. Clive	640,259	5.2
Midland Bank Trust Company Limited (as trustee for Thompson Clive Growth Companies Fund)	959,913	7.8
N. C. Lombard Street Nominees Limited (as trustee for Scottish Investment Trust PLC)	918,750	7.5
Thompson Clive Investments Limited	1,588,133	12.9

(c) Save as disclosed herein no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant in the business of the Group and which were effected by Isotron or any of its subsidiaries during the current or immediately preceding financial year or were effected by Isotron or any of its subsidiaries during an earlier financial year and remain in any respect outstanding or unperformed.

(d) Messrs. Clive, Fitzherbert and Sells currently receive no remuneration or other benefits from Isotron, although certain fees, which are set out in paragraph 12(c) below, are paid to Thompson Clive for the services to Isotron of Messrs. Clive, Fitzherbert and Sells who are also directors and shareholders of Thompson Clive.

(e) The founders of Isotron were Messrs. Clive, Grant, Ley, Summers, Fitzherbert and Sells (whose addresses are set out under "Directors, advisers and bankers" above and whose activities outside the Group are summarised under "Directors, management and employees" above) and Thompson Clive, whose registered office is situated at 24 Old Bond Street, London W1X 3DA and whose principal activity is the management of venture and development capital funds.

## 5. Directors' service agreements and emoluments

(a) On 28th April 1985 Messrs. Grant, Ley and Summers entered into service agreements with Isotron for terms of two years and continuing thereafter unless terminated by either party giving not less than twelve months notice expiring on or after 30th April 1987. The basic annual salary (inclusive of director's fees) under each agreement is £25,000 subject to review not less than once in every year. Save as aforesaid, there are no existing or proposed service contracts or contracts for services between any of the Directors and Isotron or any of its subsidiaries.

(b) The aggregate remuneration and benefits in kind of the Directors, excluding the fees to Thompson Clive for the services of Directors, for the period from the incorporation of Isotron to 30th June 1985 amounted to £66,046 and are estimated to have amounted to £94,851 during the year ending 30th June 1985.

## 6. Premises

Isotron's business is conducted from the following locations—

- Two freehold premises located at Moray Road, Elgin Industrial Estate, Swindon and at Ryedale Way, Ruyoway Industrial Estate, Bradford. The Swindon site is 1.5 acres with 35,000 sq. ft. of plant and warehouse and 2,000 sq. ft. of office space. Two irradiation chambers are located on the site, one operating on a continuous basis and the other on a batch basis. The Bradford site is 2.6 acres with 20,000 sq. ft. of plant and warehouse and 1,000 sq. ft. of office space. One irradiation chamber which is operated on a continuous basis is located on the site.
- A leasehold property at Marcus Close, Upon Road, Tilehurst, Reading which is held under a 21 year lease which commenced on 30th September 1970. The rent is reviewed every seven years and is currently \$11,500 a year, the last review being in September 1981. The site is 0.8 of an acre with 14,500 sq. ft. of plant and warehouse and 800 sq. ft. of office space. There is one irradiation chamber, operated on a continuous basis, located on the site.

## 7. Offer for sale arrangements

By an agreement (the "Offer for Sale Agreement") dated 27th June 1985 between (1) certain Shareholders of Isotron ("the Vendors") (2) the remaining Shareholders of Isotron ("the non-Vendor Shareholders") (3) the Directors of Isotron (4) Isotron and (5) Schroders, Schroders has agreed (conditionally upon the whole of the ordinary share capital issued and now being issued of Isotron being admitted to the Official List not later than 31st July 1985) to purchase 790,088 ordinary shares from the Vendors at the striking price and to subscribe or procure subscribers for 3,500,000 ordinary shares at the striking price and to offer such shares to the public at a minimum tender price of 120p per share, representing a premium of 56p over the nominal value of 25p.

Under the Offer for Sale Agreement Schroders has received warranties from the Directors (other than Mr. C. R. Thompson) in relation inter alia to the information contained in the Listing Particulars relating to the offer for sale and in addition has received an indemnity from Isotron and the Directors (other than Mr. C. R. Thompson).

Schroders will receive from the Vendors and Isotron a commission of 2½ per cent. of the value of the ordinary shares being offered at the minimum tender price and will pay commissions at the rate of 1½ per cent. of such value to sub-underwriters and a commission to Cazanove & Co. Isotron has agreed to pay all other costs, charges and expenses relating or incidental to the offer for sale and the application for listing, including capital duty, The Stock Exchange listing fee, the costs and expenses of the Reporting Accountants, the charges of the Receiving Bankers and the Registrars, its own and Schroders' legal expenses and the costs of printing, advertising and circulating the Listing Particulars, together with fees to Schroders and to Cazanove & Co.

The Directors and Thompson Clive Investment Limited and Thompson Clive Growth Companies Fund have undertaken that without the prior consent of Schroders, not to be unreasonably withheld, they will not dispose of any ordinary shares prior to the announcement of the interim results of Isotron in respect of the six months ending 31st December 1985.

The Vendors and the non-Vendor Shareholders have together agreed pursuant to the Offer for Sale Agreement to indemnify Isotron against certain tax liabilities which are primarily chargeable against third parties for which Isotron may become liable.

The number of shares which each of the Vendors has agreed to sell pursuant to the Offer for Sale Agreement is—

Name	Shares being sold
T. Bruton	20,000
C. C. Clive	20,000
E. Courtney	4,500
D. C. Eastmond	4,000
Equity Capital for Industry Limited	48,020
Equity Capital Trustees Limited	28,342
C. E. Fitzherbert	11,720
D. Fletcher	40,670
J. Grant	73,000
K. Jeffery	4,000
F. J. Ley	100,000
Midland Bank Trust Company Limited (as trustee for Thompson Clive Growth Companies Fund)	319,970
E. A. P. Sells	11,730
T. F. Summers	66,000
R. H. Thompson	37,000
	<b>790,088</b>

## 8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Isotron or its subsidiaries in the two years immediately preceding the date hereof and may be or are material—

- An agreement dated 9th January 1984 between (1) Isotron (2) LRC Investments Limited and (3) LRC International plc pursuant to which Isotron acquired the whole of the issued share capital of LRC for a consideration of £1,364,000 and further agreed to repay outstanding indebtedness amounting to approximately £1,705,296.
- An agreement dated 9th January 1984 between (1) C. C. Clive, Thompson Clive Investments Limited and Thompson Clive Growth Companies Fund and (2) Isotron pursuant to which Isotron acquired the whole of the issued share capital of Gamma Laboratories Limited in consideration for the issue of an aggregate of 800,000 preferred ordinary shares to Isotron.
- An agreement dated 26th June 1985 between (1) Isotron and (2) the holders of the preferred ordinary shares of each of Isotron whereby, conditional upon the ordinary share capital of Isotron issued and to be issued being admitted to the Official List by the Council of The Stock Exchange by not later than 31st July 1985, Isotron has agreed to purchase and the holders have agreed to sell, pursuant to the Companies Act 1985, all of the deferred shares in the capital of Isotron for an aggregate consideration of £2,250.
- An agreement dated 26th June 1985 between (1) the Subscribers (as defined therein) (2) Isotron and (3) the Directors (as defined therein) whereby it was agreed that all continuing obligations under the agreement made between the parties thereto and dated 9th January 1984 pursuant to which the Subscribers agreed to subscribe at par for an aggregate of 1,600,000 redeemable preference shares of £1 and each and 1,600,000 preferred ordinary shares of £1 each would cease to have any effect; and
- The Offer for Sale Agreement referred to in paragraph 7 above.

## 9. Taxation

(a) Shortfall clearances under paragraph 16 of Schedule 16 to the Finance Act 1972 have been given with respect to Gamma Laboratories up to and including the financial year ended 30th June 1984. The Directors do not believe that any of the other members of the Group were close companies as defined by the Income and Corporation Taxes Act 1970. The Directors have been advised that following the redemption of the share capital of Isotron and the redemption of the redeemable preference shares referred to in paragraph 1 above Isotron will not be a close company. An indemnity has been given under the Offer for Sale Agreement for certain tax matters including possible shortfall assessments of the income of any member of the Group.

(b) When paying a dividend, Isotron has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and is currently 37½% of the dividend paid. Accordingly the ACT related to a dividend currently equals 30 per cent. of the sum of the cash dividend plus the ACT. For shareholders resident in the UK, the ACT paid is available as a tax credit, which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received. Whether holders of shares in Isotron who are resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the UK. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are resident for such tax credit. Special rules would apply under current UK tax legislation to any capital distribution.

(c) Isotron has received clearance under Section 464, Income and Corporation Taxes Act 1970, in respect of the offer for sale.

## 10. Working Capital

The Directors consider that, taking into account the net proceeds of the issue of new shares and existing bank balances and, in addition, Isotron will have sufficient working capital for its present requirements.

## 11. Profit estimate

(a) The Directors estimate, in the absence of unforeseen circumstances and on the basis of the audited accounts for the nine months ended 31st March 1985 and estimates for the three months ending 30th June 1985, profit before taxation for the year to 30th June 1985 of £1,120,000 on a turnover of £2,670,000.

(b) The following are copies of letters received by the Directors relating to these estimates—

(i) From Peat, Marwick, Mitchell & Co., the Auditors to Isotron—

The Directors,  
Isotron plc,  
Moray Road,  
Elgin Industrial Estate,  
Swindon, SN2 8DU  
27th June 1985

Dear Sirs,

We have reviewed the accounting policies and calculations for the estimates of turnover and profit before taxation of Isotron plc for which the Directors are solely responsible, for the financial year ending 30th June 1985, which are set out in the Listing Particulars dated 27th June 1985.

The estimates incorporate the turnover and profit before taxation shown by the audited accounts for the nine months ended 31st March 1985.

In our opinion the estimates, so far as the accounting policies and calculations are concerned, have been properly compiled on a basis consistent with the accounting policies normally adopted by Isotron plc.

Yours faithfully,  
Peat, Marwick, Mitchell & Co.  
Chartered Accountants

(ii) From J. Henry Schroder Wagg & Co. Limited—

The Directors,  
Isotron plc,  
Moray Road,  
Elgin Industrial Estate,  
Swindon, SN2 8DU  
27th June 1985

Dear Sirs,

We refer to the estimates of turnover and profit before taxation of Isotron plc for the financial year ending 30th June 1985 which are set out in the Listing Particulars dated 27th June 1985.

We have discussed with you the basis of the estimates. We have also discussed the accounting policies and calculations for the estimates with Peat, Marwick, Mitchell & Co., the auditors of Isotron plc, and we have considered their letter addressed to yourselves on this matter.

With regard to the basis used by you and the accounting policies and calculations reviewed by Peat, Marwick, Mitchell & Co., we consider that the estimates of turnover and profit before taxation referred to above, for which you are solely responsible, have been prepared after due and careful enquiry.

Yours faithfully,  
J. Henry Schroder Wagg & Co. Limited  
N.R. MacAndrew  
Director

## 12. General

(a) The costs and expenses of, and incidental to, the offer for sale including the cost of the application for listing of the ordinary share capital of Isotron, the accountancy fees and Isotron's and Schroders' legal fees, the costs of printing and advertising this offer for sale, the fees and expenses of the Receiving Bankers and Registrars and the fees and expenses payable to Schroders, Thompson Clive and Cazanove & Co. payable by Isotron are estimated to amount to £400,000 (exclusive of VAT). The total remuneration of Schroders, Thompson Clive, Cazanove & Co. and sub-underwriters, including underwriting fees and commissions, amounts to £164,000 (exclusive of VAT).

(b) There are not and have not been during the previous twelve months any legal or arbitration proceedings pending or threatened against Isotron or any member of its group which may have or have had a significant effect on the Group's financial position during the previous twelve months.

(c) The promoters of Isotron are Messrs. Clive, Grant, Ley, Summers, Fitzherbert and Sells and Thompson Clive. The remuneration, including pension contributions, private health insurance scheme contributions and the benefits of the use of a motor-car (calculated for taxation purposes) of Messrs. Grant, Ley and Summers for the financial year ended 30th June 1984, the nine month period ended 31st March 1985 and as estimated for the financial year ending 30th June 1985 are as follows—

	Year to 30th June 1984	Nine months ended 31st March 1985	Year to 30th June 1985 (estimated)
J. Grant	£32,810	£34,281	£33,364
F. J. Ley	£32,775	£34,281	£33,364
T. F. Summers	£24,377	£22,150	£28,823

Messrs. Clive, Fitzherbert and Sells have received no remuneration or other benefits from Isotron. Mr. Clive has received a dividend on his holding of preferred ordinary shares since 9th January 1984 (the date of issue of such shares) amounting to £5,089.

During the two years prior to the date of this document, Thompson Clive has received fees (excluding VAT) from Isotron and its subsidiaries as follows—

- fees for the services of Messrs. Clive, Fitzherbert and Sells as Directors of £23,677;
- fees for its own account in connection with the establishment and capitalisation of Isotron of £79,500;
- fees in connection with the offer for sale of £10,000; and
- fees in connection with a marketing consultancy assignment of £3,000.

For the year to 30th June 1985 it is anticipated that fees of £20,000 in respect of Directors' services will be paid to Thompson Clive.

(d) Up to a maximum of 50,000 ordinary shares (1.5 per cent. of the shares being offered for sale) may be reserved for application from employees of Isotron. In addition, 10,000 ordinary shares will be reserved for application by Mr. C. R. Thompson. Save as aforesaid the ordinary shares which are the subject of the offer for sale have not been sold and so are available in whole to the public.

(e) IPI and Gamma Laboratories are wholly owned subsidiaries of Isotron although following the transfer of the assets and undertakings of each of the subsidiaries and of GRS to Isotron in July 1984 these companies are dormant.

(f) Peat, Marwick, Mitchell & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their name and address and the references thereto in the form and context in which they appear.

(g) Schroders has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its name and its letter and references thereto in the form and context in which they appear.

(h) King & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of the reference to their name in the form and context in which it appears.

(i) There has been no significant change in the financial or trading position of Isotron since 31st March 1985.

(j) The accounts of Isotron for the period ended 30th June 1984 and the nine months ended 31st March 1985 have been audited by Peat, Marwick, Mitchell & Co. Prior to 9th January 1984 the accounts of IPI were audited by Ernst & Whinney, chartered accountants, of Becket House, 1 Lambeth Palace Road, London, SE1 7LJ. In the accounts of Gamma Laboratories and GRS were audited by Peat, Marwick, Mitchell & Co.

(k) For the purposes of Section 255 of the Companies Act 1985 the financial statements set out in this document are not full accounts. Full audited accounts of Isotron, IPI, Gamma Laboratories and GRS for all periods up to the year ended 30th June 1984 have been delivered to the Registrar of Companies. The auditors have reported under Section 14 of the Companies Act 1987 on the full accounts of Isotron, IPI, Gamma Laboratories and GRS for the periods referred to above; all such reports were unqualified.

## 13. Documents for inspection

Copies of the following documents may be inspected at the offices of Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London, EC2 during usual business hours on any week-day (Sundays and Public Holidays excepted) for a period of 14 days following the date of this document—

- the Memorandum and Articles of Association of Isotron;
- the rules of the Isotron Executive Share Option Scheme;
- the material contracts referred to in paragraph 8 above;
- the Directors' service contracts referred to in paragraph 5 above;
- the letters from Peat, Marwick, Mitchell & Co. and Schroders set out in paragraph 11 above;
- the written consents from Peat, Marwick, Mitchell & Co., King & Co. and Schroders referred to in paragraph 12 above;
- the report of Peat, Marwick, Mitchell & Co. reproduced herein and their statement of adjustments;
- a letter from King & Co. confirming their valuation referred to in the Accountants' report; and
- the audited consolidated accounts for the period from the incorporation of Isotron to 30th June 1984 and the nine months ended 31st March 1985 and the audited accounts of IPI, Gamma Laboratories and GRS for the two accounting periods to 30th June 1984.

27th June 1985

## Procedure for application

- Applications (other than those on the Preferential Application Forms mentioned below) must be for a minimum of 250 shares and thereafter for the following multiples of shares:
 

Applications for up to	In multiples of
1,000 shares	250 shares
up to 5,000 shares	500 shares
for up to 10,000 shares	1,000 shares
for up to 50,000 shares	5,000 shares
for over 50,000 shares	10,000 shares

2. Applications must be made on the Application Form provided (or on the Preferential Application Form mentioned below) and forwarded to National Westminster Bank PLC, New Issues Department, P.O. Box 78, 2 Princes Street, London EC2P 2BD together with a sterling cheque or bankers' draft for the full amount payable on application so as to be received not later than 10 a.m. on 4th July 1985. Photocopies of Application Forms will not be accepted.

3. Preferential consideration will be given to applications on Preferential Application Forms received from employees of Isotron for an aggregate maximum of 50,000 shares (1.5 per cent. of the shares now being offered for sale). In addition, 10,000 shares are to be allotted to Mr. C. R. Thompson. In the event of excess applications being received from employees, the basis of allocation will be determined by Schroders at its discretion. Completion of a Preferential Application Form does not preclude such persons from also completing an ordinary Application Form.

4. Each application must be accompanied by a separate sterling cheque or bankers' draft. Cheques or bankers' drafts must be drawn on a branch in the UK, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing House Association or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner. Cheques and bankers' drafts must be made payable to "National Westminster Bank PLC", be crossed "Not Negotiable Isotron Shares" and must represent payment in full at the application price. The right is reserved to present all cheques and bankers' drafts for payment on receipt and to return Letters of Acceptance and surplus application moneys pending clearance of the cheques of successful applicants. The right is also reserved to reject in whole or in part or scale down any application and, in particular, to reject multiple or suspected multiple applications.

5. Due completion and delivery of an Application Form or a Preferential Application Form accompanied by a cheque or bankers' draft will constitute a warranty that such cheque or bankers' draft will be honoured on its first presentation; soemson is drawn to the declaration to the Application Form to that effect.

6. By completing and delivering an Application Form or a Preferential Application Form each applicant—

## APPLICATION FORM

The application lists for the shares now being offered for sale will open at 10 a.m. on Thursday, 4th July 1985 and may be closed at any time thereafter.

## ISOTRON plc

## Offer for Sale by Tender

by  
J. Henry Schroder Wagg & Co. Limited

of 3,290,088 ordinary shares of 25p each at a minimum tender price of 120p per share, the price tendered being payable in full on application

Number of shares applied for	Price per share	Amount of cheque/bankers' draft enclosed
	p	£

UNLESS THE ABOVE BOXES ARE PROPERLY COMPLETED THIS APPLICATION MAY BE TREATED AS INVALID.

\* Applications must be for a minimum of 250 shares and thereafter for the following multiples of shares—

Applications for up to	In multiples of
1,000 shares	250 shares
for up to 5,000 shares	500 shares
for up to 10,000 shares	1,000 shares
for up to 50,000 shares	5,000 shares
for over 50,000 shares	10,000 shares

\*\* The price per share at which application is made must be indicated here and must be 120p or a higher price being a whole multiple of 1p.

To J. Henry Schroder Wagg & Co. Limited  
Gentlemen.

I/We enclose a sterling cheque or bankers' draft payable to "National Westminster Bank PLC" and crossed "Not Negotiable Isotron Shares" for the above mentioned sum, being the amount payable on application for the stated number of shares in Isotron plc ("the Company") at the price per share stated above. I/We offer to purchase that number of shares and I/we agree to accept the same or any smaller number of shares in respect of which this application may be accepted upon the terms set out in the Listing Particulars relating to the offer for sale dated 27th June 1985 and subject to the memorandum and articles of association of the Company. I/We hereby authorise and request you to send to me/our duly paid application of acceptance for the number of shares in respect of which this application is made. I/We acknowledge that any Letter of Acceptance and any moneys returnable may be held pending clearance of all applicant cheques and bankers' drafts.

I/We declare that due completion and delivery of this Application Form, accompanied by a cheque or bankers' draft, constitutes a warranty that the cheque or bankers' draft will be honoured on first presentation. I/We acknowledge that any Letter of Acceptance and any moneys returnable may be held pending clearance of all applicant cheques and bankers' drafts.

Signed \_\_\_\_\_ Dated \_\_\_\_\_ 1985

PLEASE USE BLOCK CAPITALS  
For personal use only

Surname and designation (Mr., Mrs., Miss or title)

Address (in full)

Post Code

2 Signature  
For personal use only

Surname and designation (Mr., Mrs., Miss or title)

Address (in full)

Post Code

3 Signature  
For personal use only

Surname and designation (Mr., Mrs., Miss or title)

Address (in full)

Post Code

4 Signature  
For personal use only

Surname and designation (Mr., Mrs., Miss or title)

Address (in full)

Post Code

INSTRUCTIONS

This form, duly completed, together with a cheque or bankers' draft drawn in sterling on a branch in the United Kingdom, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing House Association or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner, must be made payable to "National Westminster Bank PLC" and crossed "Not Negotiable Isotron Shares". It must be accompanied by a sterling cheque or bankers' draft for the full amount payable on application so as to be received not later than 10 a.m. on Thursday, 4th July 1985. A separate cheque/bankers' draft must accompany each application. An application may be treated as invalid unless these conditions are fulfilled. All cheques/bankers' drafts are liable to be presented for payment on receipt. Photocopies of Application Forms will not be accepted. Applications by post are advised to use first class post and to allow at least two days for delivery. Applications will be irrevocable until 31st July 1985 and may only be revoked after that date to the extent that they have not been accepted prior to receipt of notice of revocation.

تاریخ الحاق







## AUTHORISED UNIT TRUSTS & INSURANCES

[illegible]

سید علی حسینی



<b>Royal Trust International Fd. Mgt. Ltd.(c)</b>	<b>S.B. Warburg &amp; Co. Ltd. and subsidiaries</b>
P.O. Box 1046 St. Helier, Jersey	33 Abchurch Lane, London E.C. 4
0534 27451	01 505 2222
Investment Funds Ltd	Investment Funds Ltd
01 505 2745	01 505 2745
01 505 2746	01 505 2746
01 505 2747	01 505 2747
01 505 2748	01 505 2748
01 505 2749	01 505 2749
01 505 2750	01 505 2750
01 505 2751	01 505 2751
01 505 2752	01 505 2752
01 505 2753	01 505 2753
01 505 2754	01 505 2754
01 505 2755	01 505 2755
01 505 2756	01 505 2756
01 505 2757	01 505 2757
01 505 2758	01 505 2758
01 505 2759	01 505 2759
01 505 2760	01 505 2760
01 505 2761	01 505 2761
01 505 2762	01 505 2762
01 505 2763	01 505 2763
01 505 2764	01 505 2764
01 505 2765	01 505 2765
01 505 2766	01 505 2766
01 505 2767	01 505 2767
01 505 2768	01 505 2768
01 505 2769	01 505 2769
01 505 2770	01 505 2770
01 505 2771	01 505 2771
01 505 2772	01 505 2772
01 505 2773	01 505 2773
01 505 2774	01 505 2774
01 505 2775	01 505 2775
01 505 2776	01 505 2776
01 505 2777	01 505 2777
01 505 2778	01 505 2778
01 505 2779	01 505 2779
01 505 2780	01 505 2780
01 505 2781	01 505 2781
01 505 2782	01 505 2782
01 505 2783	01 505 2783
01 505 2784	01 505 2784
01 505 2785	01 505 2785
01 505 2786	01 505 2786
01 505 2787	01 505 2787
01 505 2788	01 505 2788
01 505 2789	01 505 2789
01 505 2790	01 505 2790
01 505 2791	01 505 2791
01 505 2792	01 505 2792
01 505 2793	01 505 2793
01 505 2794	01 505 2794
01 505 2795	01 505 2795
01 505 2796	01 505 2796
01 505 2797	01 505 2797
01 505 2798	01 505 2798
01 505 2799	01 505 2799
01 505 2800	01 505 2800
01 505 2801	01 505 2801
01 505 2802	01 505 2802
01 505 2803	01 505 2803
01 505 2804	01 505 2804
01 505 2805	01 505 2805
01 505 2806	01 505 2806
01 505 2807	01 505 2807
01 505 2808	01 505 2808
01 505 2809	01 505 2809
01 505 2810	01 505 2810
01 505 2811	01 505 2811
01 505 2812	01 505 2812
01 505 2813	01 505 2813
01 505 2814	01 505 2814
01 505 2815	01 505 2815
01 505 2816	01 505 2816
01 505 2817	01 505 2817
01 505 2818	01 505 2818
01 505 2819	01 505 2819
01 505 2820	01 505 2820
01 505 2821	01 505 2821
01 505 2822	01 505 2822
01 505 2823	01 505 2823
01 505 2824	01 505 2824
01 505 2825	01 505 2825
01 505 2826	01 505 2826
01 505 2827	01 505 2827
01 505 2828	01 505 2828
01 505 2829	01 505 2829
01 505 2830	01 505 2830
01 505 2831	01 505 2831
01 505 2832	01 505 2832
01 505 2833	01 505 2833
01 505 2834	01 505 2834
01 505 2835	01 505 2835
01 505 2836	01 505 2836
01 505 2837	01 505 2837
01 505 2838	01 505 2838
01 505 2839	01 505 2839
01 505 2840	01 505 28

[illegible]







[illegible][illegible][illegible]

## NOTES

[illegible]

### REGIONAL & IRISH STOCKS

[illegible]



## Company Notices

AIRLEASE INTERNATIONAL FINANCE LIMITED  
US\$20,000,000 9% GUARANTEED BONDS 1986

Notice is hereby given that, in accordance with the Conditions of the Bonds, 1,748 Bonds each of \$1,000 principal amount have been drawn for payment on the principal amount on the 1st August 1985 in full settlement of the indebtedness of the Company under the Bonds. The balance of the Bonds has been cancelled.

From that date, interest on the Bonds will cease to accrue, their distinctive numbers are as follows:-

422	408	3110	5210	5610	5910	6210	6510	6810	7110	7410	7710	8010	8310	8610	8910	9210	9510	9810	10110	10410	10710	11010	11310	11610	11910	12210	12510	12810	13110	13410	13710	14010	14310	14610	14910	15210	15510	15810	16110	16410	16710	17010	17310	17610	17910	18210	18510	18810	19110	19410	19710	20010	20310	20610	20910	21210	21510	21810	22110	22410	22710	23010	23310	23610	23910	24210	24510	24810	25110	25410	25710	26010	26310	26610	26910	27210	27510	27810	28110	28410	28710	29010	29310	29610	29910	30210	30510	30810	31110	31410	31710	32010	32310	32610	32910	33210	33510	33810	34110	34410	34710	35010	35310	35610	35910	36210	36510	36810	37110	37410	37710	38010	38310	38610	38910	39210	39510	39810	40110	40410	40710	41010	41310	41610	41910	42210	42510	42810	43110	43410	43710	44010	44310	44610	44910	45210	45510	45810	46110	46410	46710	47010	47310	47610	47910	48210	48510	48810	49110	49410	49710	50010	50310	50610	50910	51210	51510	51810	52110	52410	52710	53010	53310	53610	53910	54210	54510	54810	55110	55410	55710	56010	56310	56610	56910	57210	57510	57810	58110	58410	58710	59010	59310	59610	59910	60210	60510	60810	61110	61410	61710	62010	62310	62610	62910	63210	63510	63810	64110	64410	64710	65010	65310	65610	65910	66210	66510	66810	67110	67410	67710	68010	68310	68610	68910	69210	69510	69810	70110	70410	70710	71010	71310	71610	71910	72210	72510	72810	73110	73410	73710	74010	74310	74610	74910	75210	75510	75810	76110	76410	76710	77010	77310	77610	77910	78210	78510	78810	79110	79410	79710	80010	80310	80610	80910	81210	81510	81810	82110	82410	82710	83010	83310	83610	83910	84210	84510	84810	85110	85410	85710	86010	86310	86610	86910	87210	87510	87810	88110	88410	88710	89010	89310	89610	89910	90210	90510	90810	91110	91410	91710	92010	92310	92610	92910	93210	93510	93810	94110	94410	94710	95010	95310	95610	95910	96210	96510	96810	97110	97410	97710	98010	98310	98610	98910	99210	99510	99810	100110	100410	100710	101010	101310	101610	101910	102210	102510	102810	103110	103410	103710	104010	104310	104610	104910	105210	105510	105810	106110	106410	106710	107010	107310	107610	107910	108210	108510	108810	109110	109410	109710	110010	110310	110610	110910	111210	111510	111810	112110	112410	112710	113010	113310	113610	113910	114210	114510	114810	115110	115410	115710	116010	116310	116610	116910	117210	117510	117810	118110	118410	118710	119010	119310	119610	119910	120210	120510	120810	121110	121410	121710	122010	122310	122610	122910	123210	123510	123810	124110	124410	124710	125010	125310	125610	125910	126210	126510	126810	127110	127410	127710	128010	128310	128610	128910	129210	129510	129810	130110	130410	130710	131010	131310	131610	131910	132210	132510	132810	133110	133410	133710	134010	134310	134610	134910	135210	135510	135810	136110	136410	136710	137010	137310	137610	137910	138210	138510	138810	139110	139410	139710	140010	140310	140610	140910	141210	141510	141810	142110	142410	142710	143010	143310	143610	143910	144210	144510	144810	145110	145410	145710	146010	146310	146610	146910	147210	147510	147810	148110	148410	148710	149010	149310	149610	149910	150210	150510	150810	151110	151410	151710	152010	152310	152610	152910	153210	153510	153810	154110	154410	154710	155010	155310	155610	155910	156210	156510	156810	157110	157410	157710	158010	158310	158610	158910	159210	159510	159810	160110	160410	160710	161010	161310	161610	161910	162210	162510	162810	163110	163410	163710	164010	164310	164610	164910	165210	165510	165810	166110	166410	166710	167010	167310	167610	167910	168210	168510	168810	169110	169410	169710	170010	170310	170610	170910	171210	171510	171810	172110	172410	172710	173010	173310	173610	173910	174210	174510	174810	175110	175410	175710	176010	176310	176610	176910	177210	177510	177810	178110	178410	178710	179010	179310	179610	179910	180210	180510	180810	181110	181410	181710	182010	182310	182610	182910	183210	183510	183810	184110	184410	184710	185010	185310	185610	185910	186210	186510	186810	187110	187410	187710	188010	188310	188610	188910	189210	189510	189810	190110	190410	190710	191010	191310	191610	191910	192210	192510	192810	193110	193410	193710	194010	194310	194610	194910	195210	195510	195810	196110	196410	196710	197010	197310	197610	197910	198210	198510	198810	199110	199410	199710	200010	200310	200610	200910	201210	201510	201810	202110	202410	202710	203010	203310	203610	203910	204210	204510	204810	205110	205410	205710	206010	206310	206610	206910	207210	207510	207810	208110	208410	208710	209010	209310	209610	209910	210210	210510	210810	211110	211410	211710	212010	212310	212610	212910	213210	213510	213810	214110	214410	214710	215010	215310	215610	215910	216210	216510	216810	217110	217410	217710	218010	218310	218610	218910	219210	219510	219810	220110	220410	220710	221010	221310	221610	221910	222210	222510	222810	223110	223410	223710	224010	224310	224610	224910	225210	225510	225810	226110	226410	226710	227010	227310	227610	227910	228210	228510	228810	229110	229410	229710	230010	230310	230610	230910	231210	231510	231810	232110	232410	232710	233010	233310	233610	233910	234210	234510	234810	235110	235410	235710	236010	236310	236610	236910	237210	237510	237810	238110	238410	238710	239010	239310	239610	239910	240210	240510	240810	241110	241410	241710	242010	242310	242610	242910	243210	243510	243810	244110	244410	244710	245010	245310	245610	245910	246210	246510	246810	247110	247410	247710	248010	248310	248610	248910	249210	249510	249810	250110	250410	250710	251010	251310	251610	251910	252210	252510	252810	253110	253410	253710	254010	254310	254610	254910	255210	255510	255810	256110	256410	256710	257010	257310	257610	257910	258210	258510	258810	259110	259410	259710	260010	260310	260610	260910	261210	261510	261810	262110	262410	262710	263010	263310	263610	263910	264210	264510	264810	265110	265410	265710	266010	266310	266610	266910	267210	267510	267810	268110	268410	268710	269010	269310	269610	269910	270210	270510	270810	271110	271410	271710	272010	272310	272610	272910	273210	273510	273810	274110	274410	274710	275010	275310	275610	275910	276210	276510	276810	277110	277410	277710	278010	278310	278610	278910	279210	279510	279810	280110	280410	280710	281010	281310	281610	281910	282210	282510	282810	283110	283410	283710	284010	284310	284610	284910	285210	285510	285810	286110	286410	286710	287010	287310	287610	287910	288210	288510	288810	289110	289410	289710	290010	290310	290610	290910	291210	291510	291810	292110	292410	292710	293010	293310	293610	293910	294210	294510	294810	295110	295410	295710	296010	296310	296610	296910	297210	297510	297810	298110	298410	298710	299010	299310	299610	299910	300210	300510	300810	301110	301410	301710	302010	302310	302610	302910	303210	303510	303810	304110	304410	304710	305010	305310	305610	305910	306210	306510	306810	307110	307410	307710	308010	308310	308610	308910	309210	309510	309810	310110	310410	310710	311010	311310	311610	311910	312210	312510	312810	313110	313410	313710	314010	314310	314610	314910	315210	315510	315810	316110	316410	316710	317010	317310	317610	317910	318210	318510	318810	319110	319410	319710	320010	320310	320610	320910	321210	321510	321810	322110	322410	322710	323010	323310	323610	323910	324210	324510	324810	325110	325410	325710	326010	326310	326610	326910	327210	327510	327810	328110	328410	328710	329010	329310	329610	329910	330210	330510	330810	331110	331410	331710	332010	33231
-----	-----	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	-------







## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

**Continued on Page 37**



## AMEX COMPOSITE CLOSING PRICES

Stock	P	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000
ABC	14	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000			
ABC	14	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000			
ABC	14	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000			
ABC	14	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000			
ABC	14	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000			
ABC	14	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000			
ABC	14	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825																																						

Continued on Page 33

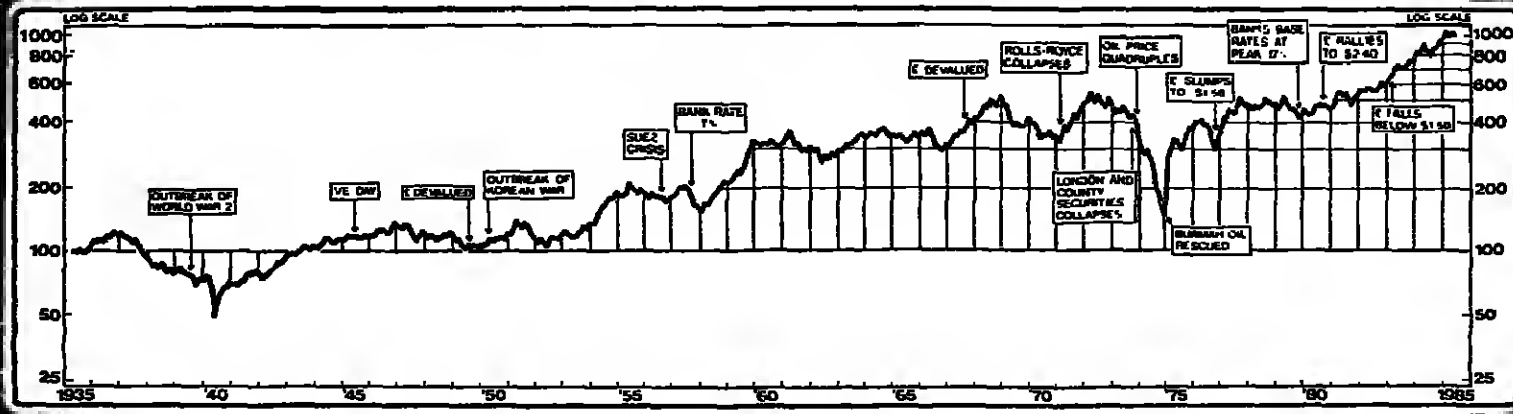






# FINANCIAL TIMES SURVEY

## FT Ordinary Share Index The First 50 Years

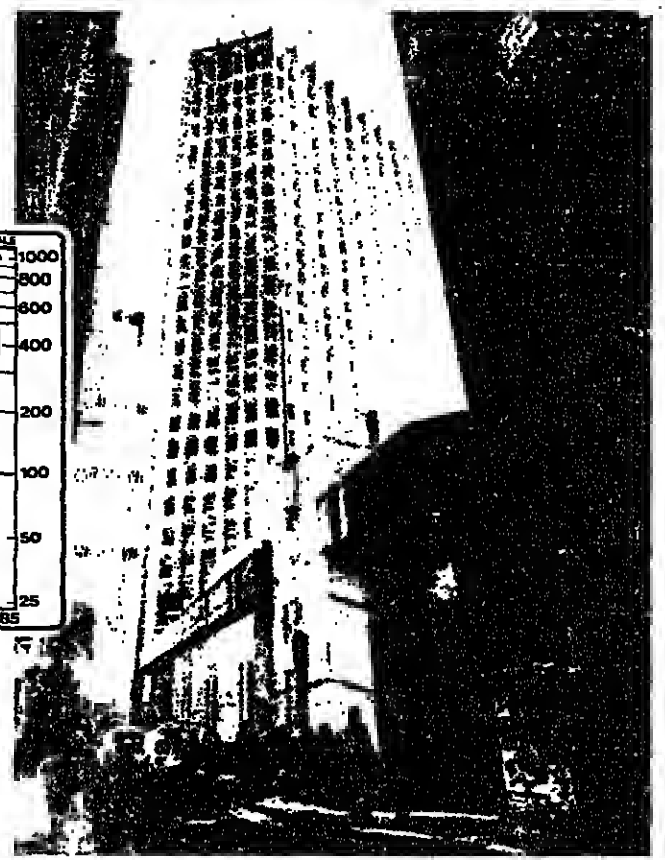


### Capturing the market's mood

By Richard Lambert



1935: The main entrance of the old Stock Exchange building



1985: The present Stock Exchange, which opened for business in 1972.

THE Financial Times Ordinary Share Index—sometimes known as the 30-Share Index or simply the FT Index—is 50 years old today. For five decades, it has provided a unique record of the changing moods of the City of London, British industry, and the economy at large.

Starting from July 1, 1935, it has charted a line which connects the grim summer of 1940 with the expansionary period of the 1950's, the financial crisis of the mid-1970's, and the strong bull market of the early 1980's.

Several generations of investors have become accustomed to describing market movements in terms of changes in the 30-Share Index.

In the early months of 1935, two figures were to be seen talking earnestly together in the old Financial Times building on London's Bishopsgate, and in nearby pubs. They were Maurice Green, the editor, and Richard Clarke, then his chief leader writer, and they were discussing the business cycle.

They had good reasons to do so. The UK economy was pulling out of a desperate slump which, in the years following 1929, had taken coal production down by a fifth and the output of crude steel by nearly a half. At a time when Government statistics were primitive, there were all kinds of theories about the nature of the cycle. Green had been reading the works of the English economist William Devons, who had managed to build a connection between commercial panics and sun-spots.

The two men decided that the Financial Times could inject a little order into this uncertainty. As Clarke wrote many years later: "We concluded that the best contribution we could make was to produce a truly modern and sensitive industrial ordinary share index, sensitive to the equity market's changing moods as reflected in price movements in the leading and most active shares in manufacturing industry."

This idea of using a share

price index as an indicator of the business cycle was not original. It was well developed in the U.S., where in an influential book published in 1922, W P Hamilton had written: "If Wall Street is the general reservoir for the collection of the country's tiny streams of liquid capital, it is the clearing house for all the tiny contributions to the sum of truth about the facts of business."

Hamilton, the editor of the Wall Street Journal, had called his book "The Stock Market Barometer," and in it he argued that the share price averages at any one moment represented the sum of all human knowledge about the business outlook. "The market," he wrote, "is not saying what the condition of business is today. It is saying what that condition will be in the months ahead."

In the City of London 50 years ago, the stock market certainly seemed to be saying something rather remarkable about the business outlook. Share prices had more than doubled from their low point in the summer of 1932, and

although there had been an uncomfortable shake-out in the early months of 1935, the trend had picked up smartly after that year's budget. The announcement of the RAF building programme had sent aviation shares soaring, while Britain's entry into the International Steel Cartel had been seen as a major bull point.

Moreover, the London Stock market was playing an increasingly important role in the national economy, which meant that its value as an economic indicator had been increasing. The new issue and merger booms of the 1920s had brought a substantial increase both in the total number of companies quoted on the stock exchange, and in their total values.

There were just 589 firms in domestic manufacturing and distribution quoted on the London market in 1907, and 719 in 1924. Fifteen years later, the number had climbed to 1,712—and their total value had risen more than £2.5bn, compared with less than £500m in 1907.

Important new industries had been developed after the First World War—in the 11 years to 1930, one-third of all Britain's gross capital formation had been directed to five major growth industries—rayon, electricals, motors, chemicals and paper. These new businesses were turning to the City for capital: in 1935, William Morris floated Morris Motors ordinary shares on the London Stock Exchange.

Other major corporations had also been emerging, too big to be owned by even the wealthiest individual or family. Whereas in 1919 there had only been one company—J. and P. Coats—with a market value of more than £40m, by 1930 there were seven: Unilever, Imperial Tobacco, ICI, Courtaulds, Coats, Distillers and Guinness.

Many of the best known names in British industry emerged in that period. Despite the enormous shifts in the economy over the past 50 years, 10 of the original constituents of the 30-Share Index are still there today, while others, like

EMI, Dunlop and London Brick, have been swallowed up by more recently chosen constituents to the Index. This continuity has turned out to be one of the great strengths of the FT Ordinary Share Index.

Green and Clarke were not the first to devise a British share index. The Financial Times itself had claimed to be the first to supply a daily index, in 1930, and rival indices included those calculated by the Actuaries and by the Investors' Chronicle.

But these had their shortcomings, somewhat loftily described in the Financial Times' article announcing the introduction of the new Index, which is reprinted elsewhere in this survey. Not least, the reshaping of the corporate economy had made a new approach to the subject seem very timely.

The key decision was whether to construct an index which would take in a wide coverage of stocks, but which might be dominated by the inactivity of some very large blocks of

equity, or to go instead for an indicator which would be more finely tuned to changes in market mood. In those pre-computer days, ease of calculation was also a factor.

In the event, the new Index concentrated on a list of the most actively traded shares irrespective of their market capitalisation—and that, more than anything else, explains its longevity and its relevance in today's market.

Other equity indices have been devised in the intervening years to give a more comprehensive picture of the business cycle, and to serve as yardsticks for portfolio performance (something which the 30-Share was specifically never intended to do). But the 30-Share remains a sensitive indicator of market moods. Its behaviour is well understood in the market place, and it has the great asset of a long, unbroken history.

The FN 30-Share Index became the FT 30-Share Index in January 1947, following the merger of the two newspapers, but the most important

characteristics of the Index have remained unchanged.

Over the years, it has been complemented by the introduction in 1982 of the FT-Actuaries series of indices and—last year—by the development of the FT-SE 100.

The different construction and roles of the newer indices are explained in a separate article. But the essential features of the 30-Share are that it is based on a geometric rather than arithmetic mean and gives equal weight to each of the constituents rather than weighting them by market capitalisation.

This means that its constituents have to be kept under review, not only to ensure that they remain actively traded but also because distortions can result in a geometric index if one price falls very sharply out of line with the other constituents.

The collapse of companies

CONTINUED ON  
NEXT PAGE

## Reflecting the sector



The inclusion of our share price in the 30 reflects the importance to the economy of the manufacturing and retailing of food and drink.

Our group is an organically developed and growing entity, assembled from constituents rich in history and tradition. These include some of the world's most distinguished brand names. In spite of our size, the components retain much of their autonomy and a sense of individuality.

The result is that the group as a whole influences the markets in which it operates, with the separate companies reacting quickly to market trends and opportunities.

The basic objectives of our three divisions—beer, wines and spirits, and food—are the same: to maximise profits, to show a healthy return on capital, to continue to improve performance and to enhance the well-being of the people who work for us.

Past progress is a sound basis for these aims. Over recent years, growth in turnover and profitability has been uninterrupted and dividends and earnings per share have increased each year.



**ALLIED-LYONS**

People in all five continents  
eat, drink and enjoy our products



Testing new materials on an epoxy die bonder at Stability Electronic Components, Antrim, Northern Ireland.



## Lucas. Investing in the future.

New products, new markets, new manufacturing methods are shaping Lucas for the years ahead.

In world aerospace we are in the vanguard of new product development. Our microprocessor-based control systems are now well known and Lucas flight control, navigation, communications and radar systems are transforming the reliability of aeroplanes and helicopters.

Lucas components are also vital elements in the control of industrial processors and machines

in fast expanding world markets.

In the automotive industry our technology has never been stronger, with every major vehicle manufacturer included in our list of customers and licensees.

With more and more high-tech innovations in the pipeline - the future is here and Lucas has a leading part in it.

**Lucas**

The First 50 Years

THE FT Index is still the single most widely quoted measure of the behaviour of the London stock market. Over 50 years, its design has stood the test of time. But there is no such thing as a universally applicable index, and in the past half-century the Financial Times has been instrumental in helping to create others - on the basis that they were complementary rather than intended as replacements.

As an index, the 30-Share continues to fulfil a number of important criteria.

● It is easy and quick to calculate. With only 30 constituents the prices can be speedily collected (although it is now less of an advantage that it does not require the elaborate computer facilities needed to produce certain more modern indices).

● It is sensitive. It is based upon heavily traded "blue chip" shares which are the first to respond to any changes in stock market sentiment.

● It is widely followed and its behaviour is clearly understood. The index has an unbroken history back to 1835, and a third of its constituents have remained in the 30 throughout the period.

The essential character of the Index was set by the decision to make it representative of British industry. Ever since, the balance between stocks from various sectors has been carefully maintained.

From time to time sectors have come and gone. The fossil fuel industry, for instance, disappeared after coal nationalisation in 1947 only to reappear in the 1970s when the development of North Sea Oil made it possible to bring in British Petroleum, which had previously operated almost exclusively overseas.

But when it has been necessary to replace constituents, the newcomers have either been from the same sector or have been selected so as to improve the overall balance of the index in the context of the shape of the industrial equity market at that particular time.

Usually replacement has been made inevitable by takeover or financial collapse. In more difficult cases, changes have been made because the nature of a company's business has substantially altered, or because the share price has become dominated by largely specu-

lative considerations rather than factors typical of the equity market as a whole.

In recent years the shape of British industry has changed, becoming much more international in character, and with a much greater content of service companies rather than manufacturing.

The shift to services became recognised by the inclusion of stocks like Grand Metropolitan and Trusthouse Forte, and then in 1984 it was decided to recognise the enormous growth of the financial services sector and include a bank, National Westminster.

At this point it became logical to drop the word "Industrial" from the Index's title, which became simply the Financial Times Ordinary Share Index.

The number of constituents, 30, was originally chosen as the

taking the antilogarithm of the result.

It might seem simpler to use an arithmetic rather than a geometric mean, but in fact the geometric method has a practical advantage in that it is easier to make allowances for capital changes, and to replace constituents, without the need for rehasing.

Moreover, the geometric construction damps down the impact of large rises in individual constituents. When one share doubles and another halves, both starting from 100, the geometric mean is once again 100 but the arithmetic mean is 125.

A disadvantage of the geometric construction, however, is that it tends to bias the index downwards over the longer term. This is partly a purely mathematical effect, but it also reflects the way that poorly per-

formance of the equity market is measured. The Institute of Actuaries in London and the Faculty of Actuaries in Edinburgh had jointly begun to produce an Actuaries Investment Index covering rather more than 200 share prices. Calculation by manual methods was very slow; the index was only produced monthly.

Eventually, however, the development of computers meant that the process could be greatly speeded up and the FT and the actuaries joined forces to launch a new and comprehensive series of daily indices in 1962.

This collaboration produced not only the FT-Actuaries All-Share Index, reflecting the performance of stocks representing the vast bulk of the whole London market's capitalisation, but also led to a whole series of some 40 subsidiary indices.

The professional investor is provided with a broadly-based

the London equity market was launched - the FT-100 Index. It was created particularly to meet the needs of the new markets in traded options and financial futures, and enjoyed the full benefit of the latest information technology.

This meant that, in the jargon, it could be a "real time" index, calculated every 60 seconds of the trading day to provide a literally up-to-the-minute indication of the market's progress.

The Financial Times-Stock Exchange 100 Index is based upon the most sophisticated price collecting system yet devised, with a team of price reporters constantly keying data into terminals arranged around the market floor.

Its creation provided an interesting example of how new requirements can dictate a new compromise in the design of an index.

From one point of view, a "real time" version of the FT 30-Share Index would have been ideal for traders in index options and futures because it would have been well-known and widely accepted as well as showing the volatility needed to encourage speculative business.

But options and futures are designed for portfolio hedgers as well as for speculators. Such hedgers require an index that will move in line with typical equity portfolios. That pointed to the All-Share - but as already explained it is a rather sluggish index, and the problems of continuously inputting more than 700 prices were daunting.

The outcome was a new index, calculated on the same lines as the All-Share but including only the 100 biggest capitalisation stocks.

In the U.S. the expansion of the markets in stock index options and futures has provided the spur for the launch of a number of new indices, both broadly and narrowly based, and it remains to be seen whether the same trend will become evident in the UK.

World indices, and at the other end of the scale USM indices, are two of the areas where interest has been expressed. They would carry their own particular problems of construction, whether of multiple time zones or volatility of constituents.

In the meantime the FT Ordinary Share Index carries on into its second half-century. It will continue to adapt to changes in the structure of the UK equity market, but its basic construction and character will not be altered. How long it will last will depend simply upon how long there continues to be a demand for it in its time-honoured form.

## The character of the Index was set by the decision to make it representative of British industry. Since then the balance between stocks from various sectors has been carefully maintained.

best compromise between ease and speed of calculation on the one hand, and on the other the need to avoid too large an influence by freak movements in one or two individual share prices.

With the advantages of modern computer equipment and rapid share price collection a larger number might have been chosen. But it remains true that the advantages of increasing the number of constituents are few, provided the balance of the 30 stocks is carefully maintained.

The important point is that the Index is based upon the leading stocks which respond instantly to news or to internal market developments, and it therefore reacts quickly to the "mood" of equities.

Technically, the Index is unweighted, and geometric in construction. This means that each share counts equally, regardless of the market capitalisation of the particular company. And the calculation is performed by multiplying the 30 share prices together (with each price divided by its level at the chosen base date) and taking the thirtieth root.

This geometric mean is obtained in practice by adding together the logarithms of the 30 prices, dividing by 30, and

forming constituents, such as Rolls-Royce or British Leyland, have passed on their negative influence to their replacements which have effectively been entered at the same low price level. This depressing effect is never fully offset by the high fliers among the constituents.

Because of this, the 30-Share Index should not be used as a long-term measure of market levels or as a yardstick for portfolio performance. In fact, because the Index has been rather easy to beat by portfolio managers it has too often been used as a basis of comparison by the less scrupulous unit trusts.

But this is quite wrong. The Index should only be used for the purpose for which it was precisely designed - as a sensitive indicator of the "mood" of the market, originally from day to day, in more recent years from hour to hour, and from now on, from minute to minute.

The desirability of another kind of index relevant to long-term portfolio measurement was, however, clear enough well before the 30-Share Index itself was formulated. But the computational problems of dealing with a broadly-based index reflecting hundreds of stocks were formidable in the pre-computer age.

Nevertheless, in 1929 the

index which is a suitable yardstick by which to measure portfolio performance. This is because the FT-Actuaries All-Share Index, constructed on a weighted arithmetic basis, so that large capitalisation stocks count for more than smaller ones, and the All-Share Index as a whole mirrors the performance of an actual portfolio with the same constituents.

Furthermore, the sector indices enable the serious investor to track the relative movements of different sectors of the equity market and thus to arrive at a better understanding of how the market is developing.

But for all their appeal to professionals, the FT-Actuaries

Indices have never supplanted the 30-Share Index, because they do not serve the same function.

One drawback, that they are only calculated once a day, could be overcome with the very latest technology. But it would still be true that the All-Share Index would largely depend upon prices of second-line stocks that are only lightly traded. As a consequence, the All-Share Index is notably more sluggish in its movements than the FT Ordinary Share Index, and is therefore a less sensitive short-term indicator.

As recently as the beginning of 1984, still another index of

Financial Times Friday January 19 1968

# FT Share Index gets boost

## Since 1968 Boots has been an established part of the FT

In congratulating the FT on 50 years of its successful 30 share index we are in a sense congratulating ourselves. Because in 1968 Boots was chosen to be one of thirty companies that together reflected the health of the economy. Boots was a natural choice because it has always been a stable and responsible company.

Founded by Jesse Boot over 100 years ago Boots has grown in strength and stature to become a High Street giant, a pioneer in chemical and pharmaceutical manufacture, and "an exemplary adherent to the philosophy of quality at affordable prices."

Our retailing division has consistently expanded over the last 100 years to our present status as a household name with over 1000 stores throughout the UK.

Likewise, our industrial division has developed into a substantial international business in both pharmaceuticals and consumer products.

As one of Britain's top 50 companies, Boots is determined to maintain its record of consistently profitable growth.

And as one of the Thirty companies comprising the FT share index we are proud to remain a touchstone of the UK economy.



**The Boots Company PLC**

The Boots Company PLC, Nottingham NG2 3AA



Traditional hourly calculation of the Ordinary Share Index. From today it will be calculated minute-by-minute in "real time"

## Capturing the market's mood

CONTINUED FROM PAGE 1

like Rolls-Royce, Alfred Herbert and British Leyland brought the index down more sharply than would have been the case in an arithmetic index. The delicate question in such cases (which, thank goodness, are quite rare) is about when to apply the boot.

More generally, several criteria are relevant when reviewing the constituents. The index needs to include the most actively traded shares, but it also has to maintain its con-

tinuity as far as seems sensible. A company will not be dropped from the list just because it has gone out of fashion, although it might be replaced if some major structural change has occurred to take it out of the front line of listed stocks.

Again, it is important that the index should not become over-weighted in the direction of one sector of the market. There was a stage, for instance, when in terms of trading interest and activity a higher proportion of electricals might have seemed to be justified. But as the recent shake-out has under-

lined, that could have distorted the whole picture.

The changing shape of British industry has been reflected in the make-up of the index over the years. The proportion of companies in heavy manufacturing has shrunk, and there has been a greater concentration on service industries. In 1977, BP became the first oil company to join the list, while last year saw the introduction of British Telecom and National Westminster Bank, the first financial sector member to be included.

This policy is consistent with the view that the job of the FT

Ordinary Share Index is to provide an easily recognised snapshot of the mood of the stock market at any time.

For many years, critics have written-off the index as being old fashioned and too narrowly based. But we intend to keep polishing up the 30-Share, so that it can best give the service it was always intended to provide - and let the market decide what indicators it wants to follow.

From today, users of the index will enjoy the extra refinement of minute-by-minute calculation in "real time." On to 2035?



## Ordinary Share Index 3

In an article written by Sir Richard Clarke in July 1935 he outlined the reasons behind the construction of the 30 Share Index



## Formula for success of a simple daily indicator

By Sir Richard Clarke

INDICES of share movements have never been used as a guide to investment policy and market forecasting in this country to the same extent as they have in the United States. There, around the Dow Jones index numbers, has been built a massive structure of statistical analysis, and some operators are guided almost exclusively by their interpretation of the daily figures.

The merits of the complex Dow theory may well be questioned, but even in this country, where exact knowledge is not sought with such religious zeal, it is definitely useful for the operator, both professional and amateur, to have a simple daily indicator of the way in which the market is moving. "The Financial News" was the first to supply such a daily index. At the beginning of 1930 the Ordinary share index first appeared, and since then, day after day, it has faithfully revealed the general movements of share prices. Five and a half years is a long time. In those years, great changes have taken place. Shares which, at the time of construction of the index, were in the forefront of market activity, have now fallen out; others have risen to prominence. The time has, therefore, come for a revision of the old index and for a re-selection of the shares which will constitute the fixed trust whose movements we shall watch from day to day.

### Construction

There are difficulties, both theoretical and practical, in the construction of any index of share prices. First of all, we must decide what sort of movements we want to portray. Do we want to measure changes in the market capitalisation of industry, or do we want to measure the movements of the most active shares? The choice is important. If it is the first, the size of capital, rather than the market activity, must be the criterion. We should then have to include shares like Gas Light and Coke, and companies whose shares move hardly at all. Evidently the movements of such an index would be small. For a sensitive index, which must respond to the delicate changes of market feeling and temper, the active shares must be the basis of our choice. Irrespective of the size of the companies which they represent, that is the disadvantage of many of the leading indices: they contain so much dead weight, and are less sensitive on that account. That is why the Actuaries' Index, perhaps the most comprehensive of all, lags far behind an essentially active index like the old "Financial News" one. The latter shows prices already back to the 1928 level: the former shows them still some 25 per cent below.

With that settled, what sort of shares will give the fairest

representation of market movements? We take the shares of companies operating in England, engaged in manufacture and mining only, and as far as possible unaffected by isolated foreign currencies. Thus, Bank and Insurance, Property, Newspaper, Public Utility and Railway stocks and shares are excluded, together with such concerns as Tilling and Cable and Wireless. On the fast count, a share like Unilever is disqualified. For obvious practical reasons, companies which make a habit of distributing capital bonuses are not included. Nor are companies whose management is unreliable, and whose prospects (within their own industrial group) are uncertain. Subject to these considerations, we then take a certain number of shares from each industrial group, bearing in mind the changing relative importance of the various groups. It is a British Industrial Ordinary share index in the true sense of the term. The next question is a purely practical one. How many shares should be included? For a daily index it is hardly practicable to include more than thirty. In point of fact, the value of the index increases only very slowly after that figure has been reached.

The way is now clear for the most difficult task, the selection of the "fixed trust". The choice, by groups, must be more or less arbitrary. For better or for worse, of the thirty shares we allot six to heavy industry, three to electrical manufacture and radio, three to motors and aviation, four to textiles, two to retail stores, six to food, drink and tobacco, three to building materials, and leave three for miscellaneous industries. It is difficult to argue a definite case for this or for any other distribution. The London and Cambridge Economic Service, in its index, weights the industries according to their outputs. For our purpose, that is obviously unsuitable. For us, the ideal basis would be the number of dealings in shares in each group; but this cannot be determined, and, moreover, would have to be averaged over a long period. Had the number of dealings in the past three months been taken, for example, iron and steel and electrical equipment would have been sorely overweighted. As it is, the metal-using industries have perhaps been over-represented. It is likely, however, that their market importance will grow in the next period of years, and, for that reason, the allowance may be a reasonable one. In any event, as we shall show later, the weighting is not of absolutely first-class importance in the construction of the index.

For the individual shares, many naturally select themselves. In the heavy industry group, we include Dorman Long, United Steel, Guest, Keen and Nettlefolds, Vickers, Bolsover Colliery and Murex. The first

four are obvious choices, and incidentally represent coal and engineering as well as iron and steel. To find a good pure coal-mining share is difficult. Bolsover is preferred to Powell Duffry, because the latter is allied indirectly with Guest, Keen, Murex is a typically modern metal-working concern. It is admittedly an unexpected choice, but there is no real market leader of this very important type. In electrical manufacture and radio, Electric and Musical Industries, General Electric and Callenders Cable all speak for themselves. So do Rolls-Royce and Austin Motor in the motor and aviation group. It might be argued that Rolls-Royce would serve both for motors and for aviation. In the years to come, however, an aircraft company will evidently have to be included, and that market is now sufficiently active to warrant representation. Hawker must be the choice. For textile shares, we must have Courtaulds and J. and P. Coats; cotton and wool, too, must have representatives, and Fine Cotton Spinners and Patons and Baldwins are as good as any. The two retail stores are inevitably Horrods and Woolworth; Marks and Spencer is automatically disqualified under the "no capital bonus" rule. Similarly, there is little scope for originality in the food, drink and tobacco section. Bass and Watney are the obvious breweries, with Distillers; Imperial Tobacco chooses itself; and Tate and Lyle and International Tea are the last two choices. The importance of building materials is likely to increase, and besides the obvious London Brick and Associated Portland Cement, we include Pinchin Johnson. And finally, there are three almost inevitable "miscellaneous" shares — Imperial Chemicals Ordinary, Dunlop Rubber, and Turner and Newall. The thirty includes a great many of the most active shares in the market. In the list there is no "dead wood." It may fairly be claimed that the list is adequately representative of market activity as a whole. Moreover, it is likely to be representative for some time to come.

### Technique

That is the end of the real problem. The rest is a matter of technique. It does, however, present one interesting feature. Our new index is a geometric average instead of the usual arithmetic. This, although a little more complicated, has certain very definite advantages. The date July 1 1935, is fixed as base, and on any given day the price of each share is expressed as a percentage of its price on July 1. Thus, London Brick on July 1 was quoted at 86s 6d, and at 83s 6d a fortnight later. On July 15, therefore, its price percentage was 96.54. This is done for each share. For an arithmetic average, these price percentages are all added and divided by

thirty, and this gives the index number for the day. For the geometric average, which we use, they are all multiplied together, and the thirtieth root of the result is taken (the calculation is not actually as long as it appears). This has two theoretical and practical advantages. First of all, it is much easier to replace derelict shares by active ones, and to make allowance for capital bonuses, and so on. That is the practical advantage.

### Theory

And secondly, as a matter of theory, the weighting is less important in a geometric than in an arithmetic average. The disadvantage of the latter is that it does not treat increases and decreases alike. For example, if between July 1 and July 15 share "A" advances from 100s to 200s, while share "B" falls from 100s to 50s, the arithmetic average shows an increase of 25 per cent, although one has doubled and the other halved its value. This may lead to extraordinary results. Suppose, for example, we had taken four shares as our index in 1928: Leyland, Associated Portland Cement, Cable "B", and Fine Cotton Spinners. Based on 1928 as 100, their prices in 1935 were 287, 222, 154 and 140 respectively. The arithmetic average in 1935 was 129.6 and the index was therefore up by 29.6 per cent. Now see what happens when 1935 is taken as 100. The prices in 1928 are now 57.4, 45, 860 and 710 respectively, and the average is 393.6. According to this method of computation, therefore, there was a fall of 72.3 per cent, between 1928 and 1935. Which is right? Of course, in an index in which many of the prices have moved very little, the difference, as a result of the re-basing, will be slight. What is important, however, is the fact that as the date gets farther and farther from the original base, the difference grows. There is no question of it "averaging out in the long run" as some people think. That is the reason why a frequent revision is necessary. Such a pioneer as the "Investors' Chronicle" index, for example, which was based on 1923, would probably show a quite different movement between 1923 and 1935 if the latter year were taken as base. In the arithmetic average, the base date is of paramount importance. The geometric average, however, is subject to no such inhibitions. Whatever base date is taken, the result is the same. In the figures given above, the four-share geometric index would have fallen by 40.2 per cent between 1928 and 1935, which over years was taken as base. This can be simply verified by multiplying the figures together and taking the fourth root. Both on theoretical and practical grounds the geometric index has its advantages.

The First 50 Years

## The Distillers Company plc congratulates The Financial Times on the 50th Anniversary of the Ordinary Share Index

— a valuable service, respected by the business community. We are pleased to have featured continuously in this index since its inception in 1935.

Today, the rapidly changing trading environment in world markets presents new challenges. We shall adapt to these changes and we face the future with confidence.

We look to a continuing relationship with the FINANCIAL TIMES ORDINARY SHARE INDEX and wish the FINANCIAL TIMES continuing success.

The Distillers Company plc.  
Edinburgh & London

## We've always moved with the financial times

When we were chosen for the original FT Ordinary Share Index in 1935, we were 'the greatest name in rayon'.

Since then we've built up the largest textiles business in Western Europe.

But we haven't stopped there.

Over the past 50 years, we've harnessed our skills in chemistry and process engineering to develop new international businesses — like BCL's packaging films, International Paint, woodpulp and carbon fibre; and a growing range of products in speciality chemicals and plastics.

We're constantly exploring and creating new opportunities and markets worldwide, to meet the challenges of today's financial times.

## COURTAULDS

To find out more about us, write or 'phone for a copy of our 1984/85 Report and Accounts.

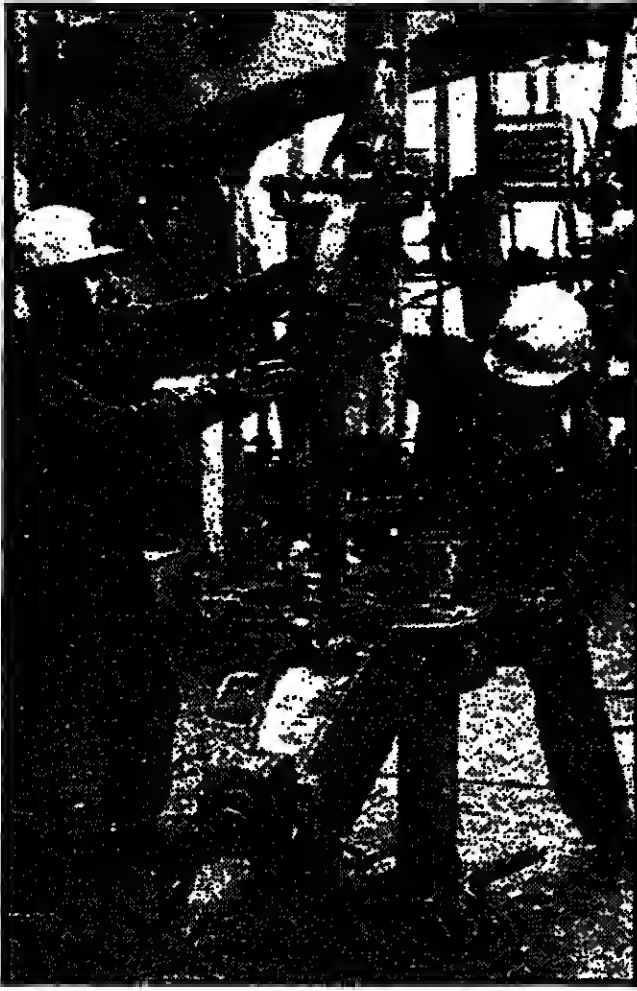
Public Affairs Dept., Courtaulds PLC, 18 Hanover Square, London W1A 2BB  
Telephone: 01-629 9080 (Extension 1282).



## Ordinary Share Index 4

Richard Lambert looks at how the index has reflected the changing face of British industry.

## The declining fortunes of UK manufacturing



Development of the North Sea oil fields was recognised in 1977 when BP joined the 30-Share

A ROLL call of the constituents of the 30-Share Index gives a vivid picture of the changing face of British industry over the past 50 years. Many of the original names are still familiar today, either as independent companies or subsidiaries of larger groups.

But with a few exceptions, their position in the international market place has been much weakened over the years. On the surface, there were few signs when the original index was drawn up, of the problems that lay ahead for British manufacturing industry. The motor car business was booming, with output climbing to 417,000 units in 1935, more than 50 per cent above the low point four years earlier. The "Big Six" companies (Morris, Austin, Ford, Vauxhall, Rootes and Standard) showed over 40 different models at the 1935 Motor Show.

Rearmament was under way, and the Spring Budget had started the aircraft industry on an expansion track which was to take employment up from 27,000 to a wartime peak of 1.7m. British industry seemed to be bursting with new ideas: Perspex was developed in 1935, shortly after ICI's research chemists had discovered polythene. EMI was developing the technology which was to lead the following year to the world's first television transmissions.

Even the long established industries which had taken such a battering in the slump, were showing signs of life. Steel output was shooting ahead: the showpiece of the industry was a brand new steelworks, built by Stewart and Lloyd right on top of the cheap ore at Corby, Northamptonshire. Even the coal industry, represented in

the 30-Share by Belvoir Colliery, was enjoying a wave of mechanisation.

But for anyone who cared to look, there were worrying signs of long-term decline. Although productivity was rising, it was not doing so at anything like the rate of the international competitors. Britain was still well ahead of most countries, apart from the U.S. and Sweden, in terms of gross domestic product per man hour, but France, Germany, and—particularly—Japan were gaining ground rapidly.

Britain was also losing its position in international trade. Its share of world exports of manufactures had dropped from 32 per cent in 1913 to around 22 per cent in 1935. The country was more vulnerable to the process of import substitution than its competitors, because a high proportion of its exports still went to semi-industrialised countries. Increasingly, too, the U.S. was encroaching on its position as an international commercial and financial centre.

Moreover, business confidence had been badly damaged by the events of the previous 15 years. The best that businessmen now hoped for was a return to the 1929 peak, and the idea of long-term growth as a normal state of affairs had been largely forgotten.

As a result, industry was to be taken by surprise as it jumped ahead between 1935 and 1937. In the machine tool industry, manufacturers soon started quoting delivery dates three years ahead.

The textile industry, strongly represented in the original 30-Share Index, was already well into its long-term decline. Faced with growing competition from Japan and the loss of their most important market, India, the Lancashire companies were in full retreat.

In an unsuccessful bid to hold the line, the Bank of England and the clearing banks backed a major new combine to rationalise the industry. Its name was Lancashire Cotton, which in 1938 became the first newcomer to the list of 30 shares.

Other industries were also being shored up by outside intervention. The Labour Government's Coal Mines Act of 1930 introduced a plan for keeping the price of coal artificially high in return for a programme of closures. Not surprisingly, high prices had precisely the opposite effect, by allowing most of the inefficient mines to remain open.

The steel industry was sheltering behind import tariffs of 33 per cent. These were also said to be temporary, and conditional on the industry modernising itself.

More generally, the 1935 Budget granted a tax concession to voluntary schemes designed to restrict capacity. And cartels had become a very respectable form of business organisation. The major electrical companies—GEC, ABE and English Electric—were organising parts of their business on these lines. ICI made a series of agreements with DuPont and IG Farben to carve up the world's chemical markets.

All these measures meant that competitive selling was not the first priority for many British manufacturers, and this weakness was to be reinforced in the postwar years.

These years also saw an unprecedented—and unsustainable—improvement in the balance of trade, in a period when the only problem seemed to be about how to meet demand. Car-makers had long waiting lists, shipbuilders worked on a cost plus basis and the steel industry built a vast new works at Port Talbot to cope with the insatiable hunger for sheet steel.

Explanations for this boom include the destruction of capacity among industrial com-

petitors on the continent and Japan—which, thanks in part to Marshall Aid, was not matched by a corresponding reduction in demand. And Britain's deteriorating competitive position against the U.S. was masked by the devaluation of 1949, which was mainly aimed at the dollar.

The consequences of this somewhat unreal period were to be painful. In the words of one recent history: "In the 1960's and 1970's, every major British industry, with the exception of retailing which is by definition committed to selling, could point to a failure of the sales side."

The shipbuilders did not see the changing demand for new types of ships. The car firms, with the exception of Ford, did little market research into what most advanced in the world, but could not sell them to the international airlines in sufficient numbers. The penalty had to be paid, as one after another Britain's major industries were attacked by aggressive marketing from abroad.

The postwar decades were when restrictive practices and weak management became endemic in manufacturing industry. It was also a period for ham-fisted Government intervention. Examples include the way the car industry was pushed North, to Speke and Halewood on Merseyside and to Lincoln and Coventry, and the manner in which the steel industry was forced to build not one new strip mill but two—at Ravenscraig in Scotland and Llanwern in South Wales.

By the 1960's, all these patterns were giving a real impact on the make up of the 30-Share Index. Courtlaids had swallowed up most of its rivals in its bid for vertical integration: ICI had tried to go a step further with an unsuccessful bid to nationalise itself. Nationalisation had made its mark: UK coal mines had long since disappeared from the Stock Exchange, and United Steel had achieved the unique record of being twice removed from the Index, as Labour finally brought the industry under Government control.

The British-owned motor industry was being merged together into British Leyland, and was sliding towards a state of near-collapse. Another great Rolls-Royce was heading in the same direction, while a harsher fate awaited a third. The Coventry factories of Alfred Herbert, once the greatest power in the world's machine tool industry, are today shuttered and crumbling.

Meanwhile, the balance of the economy was shifting. In 1950, the manufacturing and service sectors both employed 42 per cent of the workforce. By 1980, only 28 per cent were in manufacturing, while 62 per cent were employed in service jobs like retailing or finance.

This trend is clearly evident in the Index. Two major companies have developed in the leisure/service sectors since the war, by combination take-overs and internal growth—Grand Metropolitan and Trusthouse Forte, both of which are now in the 30-Share.

Other big successes are to be found in the retailing sector, an area where dynamic entrepreneurs have been able to capitalise on rising living standards, fierce competition, weak trade unions, and changing shopping habits.

The rapid advance of the motor in the 1930's; the arrival of self service in the 1950's; the era of discounting in the 1960's; all these changes have been reflected in the Index, where names like Woolworth and Harrods have made way for the likes of Marks and Spencer and Associated Dairies.

## Changes in the Index line-up

## ORIGINAL CONSTITUENTS

Associated Portland Cement  
Austin Motor  
Bass  
Belvoir Colliery  
Callenders Cables & Const.  
Coats (J. & P.)  
Courtlaids  
Distillers  
Dorman Long  
Dunlop Rubber

Electrical & Musical Inds.  
Fine Spinners and Donblers  
General Electric  
Guest Keen & Nettlefolds  
Harrods  
Hawker Siddeley  
Imperial Chemical Industries  
Imperial Tobacco  
International Tea Co's Stores  
London Brick

Murex  
Patons & Baldwins  
Pinchin Johnson & Associates  
Rolls-Royce  
Tate & Lyle  
Turner & Newall  
United Steel  
Vickers  
Watney Combe & Reid  
Woolworth (F. W.)

## MAJOR CHANGES

1938 September 5  
Lancashire Cotton replaced Fine Spinners after FS capital reduction and re-organisation.

1947 January 1  
William Cory, Leyland Motors, Peninsular & Oriental Steam Navigation, Spillers and Swan Hunter, Wigham Richardson replaced Austin Motors, Bass, Belvoir Colliery, Callenders, Dorman Long and International Tea to conform with market developments since original list was compiled. Index name changed from "The Ordinary Index."

1951 February 15  
Tube Investments replaced United Steel on nationalisation of U.S.

1952 May 1  
Morris Motors name changed to British Motor Corporation on merger with Austin Motors.

1959 September 2  
Bovater Paper and Alfred Herbert replaced J. and P. Coats and William Cory to give representation to paper and machine tool industries. House of Fraser took over and replaced Harrods.

1960 January 12  
Nationalised United Steel replaced Pinchin & Johnson on latter's takeover by Courtlaids.

1964 August 5  
Glaxo Group and United Drapery Stores replaced Patons & Baldwins and Lancashire Cotton on the latter two being taken over by Courtlaids.

1966 May 5  
Plessey replaced Swan Hunter, which had shown a poor share performance.

June 17  
British Oxygen replaced United Steel which was re-nationalised.

1967 March 28  
Beecham replaced Murex because of the latter's poor share performance.

1968 January 19  
Boots Pure Drug replaced Leyland Motors pending LHM merger with British Motor.

October 17  
Marks & Spencer replaced House of Fraser on SUT's gaining a holding of

over 30 per cent in the Harrods store group.  
May 15  
British Leyland Motor Corporation replaced British Motor.

1970 March 23  
Allied Suppliers replaced Rolls-Royce which had shown a poor share performance.

1971 September 13  
John Brown and Grand Metropolitan Hotels replaced Alfred Herbert and F. W. Woolworth because of poor share performance.

1972 February 22  
Cavenham took over and replaced Allied Suppliers.  
June 20  
Allied Breweries replaced Watney Mann, which was taken over by Grand Metropolitan Hotels.

1975 April 24  
Lucas Industries replaced British Leyland Motors pending Government rescue plan for BLM.

1977 March 9  
British Petroleum replaced Cavenham, control of which left the UK.

1978 April 19  
Cadbury Schweppes replaced Spillers which withdrew from the bread industry.

1979 December 6  
Thorn Electrical Industries took over and replaced EMI.

1982 July 29  
BICO and BTR replaced John Brown and Turner and Newall.

1983 February 10  
Associated Dairies Group replaced UDS.  
November 21  
Trusthouse Forte replaced Dunlop which had sold most of its tyre interests to Sumitomo Industries of Japan.

1984 February 29  
Hanson Trust gained control of and replaced London Brick.  
December 4  
British Telecom and National Westminster Bank replaced Bovater Industries and IT Group. "Industrial" dropped from the name of the index.

## PRESENT CONSTITUENTS

Allied-Lyons  
Associated Dairies  
BIOC  
BEECHAM  
BTR  
Bovater Group  
Blue Circle Industries  
Boots  
British Petroleum  
British Telecom  
Original constituent

Cadbury Schweppes  
Courtlaids  
Distillers  
GEC  
Glaxo Holdings  
Grand Metropolitan  
Guest Keen & Nettlefolds  
Hanson Trust  
Hawker Siddeley  
Imperial Chemical Industries

Imperial Group  
Lucas Industries  
Marks & Spencer  
National Westminster Bank  
P & O Deferred  
Plessey  
Tate & Lyle  
Thorn EMI  
Trusthouse Forte  
Vickers

## With Pioneer Mutual you can invest in all the FT Index Companies with a single investment

In March 1973 Pioneer Mutual launched its Index Linked Fund, a unique concept, which is directly linked to the performance of the FT Ordinary Share Index.

Today, twelve years later, the performance of the Index Linked Fund continues to offer you the opportunity to link your savings to the strength and security of 30 of the top UK Companies, with the guarantee that the capital growth of the Fund will at least equal the growth performance of the FT Index. In addition, reinvested dividend income together with any resulting capital profits is allocated each year to Plans in the form of Bonus Shares. These allocations have resulted in the investment performance of Plans linked to the Fund exceeding that of the FT 30 Share Index over the same period.

There are a number of plans linked to the Index Linked Fund designed to meet differing needs for protection, investment and pension provision. Whether you wish to make a single lump sum or a regular investment there is a Plan to suit you. The details below illustrate the performance of one of these Plans, the Index Linked Bond, in respect of a single lump sum investment of £1,000.

Cash-in Value of Bonds on 31st May, 1985 when the FT Index was 1002.5

Commencement Date	GROSS RESULTS		NET RESULTS	
	Value of Shares	% Growth P.A.	Value of Shares	% Growth P.A.
May 1976	£3,070	13.92%	£2,825	12.87%
May 1977	£2,733	14.12%	£2,531	13.03%
May 1978	£2,619	15.59%	£2,431	14.37%
May 1979	£2,317	16.03%	£2,165	14.72%
May 1980	£2,709	23.32%	£2,500	21.36%
May 1981	£2,015	20.69%	£1,891	18.80%
May 1982	£1,864	25.21%	£1,755	22.70%
May 1983	£1,493	25.40%	£1,427	22.60%
May 1984	£1,127	18.69%	£1,105	16.40%

If you would like all the advantages of investment in Shares of the country's top 30 Companies, with none of the usual drawbacks, send off the Coupon below—Today.

To: Pioneer Mutual Insurance Company Limited  
Freeport, Cottingham, Norfolk NR12 7BR

Please send me details about investing in your Index Linked Fund.

Name (Mr/Mrs/Miss): .....

Address: .....

Home Tel. No. ....

Amount available for investment £..... Lump Sum £..... Regular

I am interested in ☐ Protection & Investment ☐ Capital Growth

☐ Personal Pension Provision ☐ Capital Growth & Regular Income



FIFTY

NatWest  
The Action Bank

Congratulates the 30 Share Index on its 50<sup>th</sup> anniversary.



The NatWest Tower dominates the City skyline. Last year National Westminster became the first financial company to be included in the Index

In 1935 we were famous for shipbuilding, steel and aircraft manufacture – remember the Spitfire and the Wellington? Fifty years on we have changed. Like much of British Industry. And like the Index itself.

Today, in addition to defence and marine engineering, we are involved with a wide variety of products including lithographic printing plates, printing and packaging machinery, business equipment, healthcare and scientific instruments, machine tools and Rolls-Royce and Bentley motor cars.

V  
Vickers

VICKERS PLC, VICKERS HOUSE, MILLBANK TOWER, MILLBANK, LONDON SW1P 4RA



## Ordinary Share Index 5

Sir Richard Clarke: Devise of the Index  
Heir to Keynes mantle

By Andrew Arends

SIR RICHARD "Otto" Clarke, who devised the index of 30 Ordinary Shares in 1935, celebrated today as the Financial Times Index, was a remarkable character, whose career and legacy extended far beyond journalism.

Keynes described him as one of the two economists worthy of inheriting his mantle (the other was E. F. Schumacher). Otto, said Keynes, "Could do anything with figures". He was a journalist for barely six years, from 1933 to 1939 on the Financial News. When he broke out Otto joined the Civil Service as one of the highly select band of "irregulars" who transformed the nature of the British administrative machine and adapted it to total war.

After 1945 he stayed on at the Treasury, rising to become its second Permanent Secretary. When he died in 1975 at the age of 64, he had gone on to become Permanent Secretary at the Ministry of Aviation and finally at the new Ministry of Technology.

During his six years at the FN, Otto Clarke worked as a leader, writer and as a contributor to the Lex Column. It was as a journalist that he honed the two great skills—an ability to write quickly and lucidly, and his keen analytical and statistical mind—that served him and the nation so well in the Civil Service.

Sir Gordon Newton, the former FT Editor remembered Otto as a lively and extroverted journalist. He was also rather radical in those days and published a Fabian pamphlet under the pseudonym "Ingo"—advocating the nationalisation of the Iron and Steel industry. But it was the Ordinary share index, set up by Otto and the then editor, Maurice Green 50 years ago that is his legacy to the paper and to the City. He was 24 years old at the time.

Both during and after the war Otto applied his formidable in-



Sir Richard Clarke: A Rolls-Royce intellect but not in the smoothie Whitehall mould

tellect to the wide range of economic problems facing post-1945 Britain. As Chairman of the Programme Committee, Otto wrestled with the enormous task of matching Britain's peaking foreign exchange earnings with the country's almost limitless demand for dollar imports.

During this period he also played crucial roles in negotiating the financial arrangements for Nato, the OEEC and Efta,

as well as being one of the three authors of the ill-fated "Robot" scheme to float sterling in 1952. In his recent book about the early postwar period, Sir Alec Cairncross said: "In the Treasury, only Otto had any real flair for general economic policy."

But Otto's main contribution to British Economic Policy was his key role in the early 1960s in the development of the Pub-

lic Expenditure Survey Committee (PESC) and the system of controlling public expenditure that went with it.

PESC, which has survived in a modified form, provided the first comprehensive picture of the public sector and laid down the main lines on which it should be managed and analysed.

Otto Clarke was a commanding and controversial character. Peter Jay who served under him at the Treasury described him as the "Greatest of all Civil Servants." Although he had a Rolls-Royce intellect he was not in that sort of smoothie Whitehall mould.

"With Otto you could always hear more than just the clock," said Lord Croham, who as Sir Douglas Allen worked with Otto at the Treasury.

Sir Peter Middleton, currently Permanent Secretary at the Treasury remembered vividly Otto's forthright style. As a young Civil Servant, Sir Peter said, he watched Otto chairing various committees. Sometimes Civil Servants would explain, he said, that such a solution would not wash with ministers. Otto would explode. "What do you mean ministers won't wear it. They'll have to wear it." He hated weak compromises, said Sir Peter.

In his memorial tribute to Otto, Lord Croham concurred. "He was ruthless in the pursuit of effective solutions, ruthless in the demolition of soft advice, soft decisions and soft Ministers," he said.

But Otto also had a lighter side. In his time as a leader writer on the FN he was forced to compose a piece on the death of George the Fifth. Somehow, the piece had to be linked to finance. In the end, with barely five minutes before the deadline Otto wrote a memorable leader which began: "All investors will share in the grief of the nation at the death of the King."

The First 50 Years

"30 shares are to be chosen, each to be a leader in its field... for the individual shares, many naturally select themselves... Imperial chooses itself..."

(Extracts from the article, July 1935, announcing the formation of the Index).

As true today  
as in 1935

It is no coincidence that Imperial is one of only 10 remaining from the original list of 30.

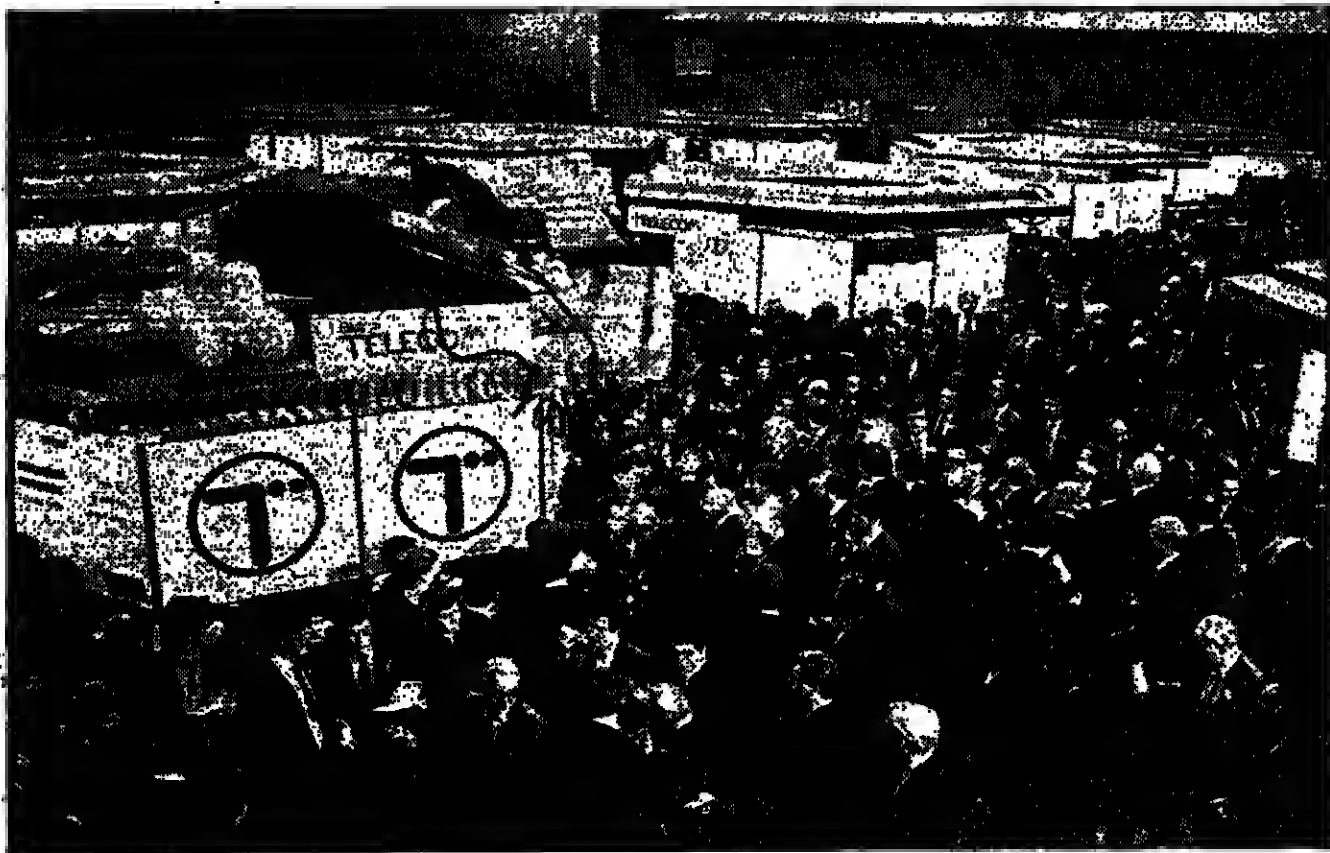
Over 50 years we—like the index—have developed and changed. Of course we are still Britain's leading tobacco company but today we are much more than this with a powerful and growing portfolio of brewing, hotel and restaurant, retailing and food manufacturing interests.

So, congratulations to the FT Ordinary share Index on a 50 year partnership.



Imperial Group

public limited company



The sale of British Telecom on the London market last year created havoc in highly indexed funds by throwing all the weightings out. After a massive subscription the shares had an amazing habit of going up faster than the funds as the funds had to make up their index-weightings. However with the Government retaining nearly half the equity, this became impossible to achieve

The use of indices in measuring investment performance  
Yardstick by which to gauge success

By Jeremy Stone

IF INDICES are what their users make of them, then they have come a long way in the last 50 years. For although the leading idea of the FT's original index has always been to give investors a sensitive indication of what was happening in the market—allowing them to feel its pulse—much of the later development of share indices has been inspired by the need to analyse the performance of the investors themselves.

Most recently, indices have been the basis of attempts to hedge market-risk, the springboard for markets in equity-indexed futures and options. Without an index there is no commonly acceptable measure of investment success, or of market risk; indices provide a reliable way of making the market itself into a yardstick.

Using a suitable index—such as the FT-All Share or the FTSE 100—to measure changing values, it is easy to see whether a given portfolio has done better or worse than the whole market.

Unless a fund is explicitly specialised in a way that makes the comparison invalid, for example by putting its cash exclusively into small companies, or into high-yield stocks, it is reasonable to ask of a portfolio manager that the fund should generally move in line with the overall market index.

When the standard of adequate management is to do no worse than the average for the market, success can of course be achieved simply by running a portfolio which matches the composition of the index—the same shares in the same rela-

tive proportions, or weightings. Far from being high-rollers in the risk-capital Casino, modern portfolio managers are apt to shun risk, at least where their own reputation is concerned.

Keynes observed that it was professionally better to be wrong in company with the herd than to be right but conspicuously out of step; that was before the application of weighted indices to the equity market.

Since indices have made it easier to track the herd, this truth has gained an extra dimension: taking the idea to its logical extreme, some modern market theorists have concluded that in providing a yardstick of managers' performance, the index can absolve them from making any independent judgement of the market or its constituent stocks.

In the U.S., the practice of indexation—matching the portfolio to a suitable index—has indeed become part of standard management technique: portfolios are explicitly structured by reference to the make-up of a market index.

Where managers run the risk of being sued for underperforming, it is only common prudence to reduce this risk, and the obvious method is to reduce the "tracking error" of the portfolio by costing most of it in the image of the relevant index.

In a specialised fund, where managers have been charged with investing in a particular type of security, this has led to abuses: for any fund it is naturally possible to devise an index which it tracks with no error at all—the identikit.

Where a fund is not avowedly set up to mirror an index, it is often possible to detect the same principle of management at work if the fund tracks the market with suspicious accuracy. Known as "closet indexation" this apparently easy technique of fund management has its critics, who cannot see why management fees should be handed over for doing something so mechanical and passive.

Although the indexation technique is gaining ground in the UK (to the point where it is normal to talk of having a passive core in a managed fund) it is probably still true that London fund managers are more afraid of being kicked for inaction than of being sued for underperformance.

There are practical objections to slavish indexation of portfolios: although the cost of management is rarely brought into performance measurement, it is evident that to run a fund composed of the full 739 shares would risk piling on more administrative costs than the management fee can cover.

And in the last resort, mimicry of an index is apt to prove expensive in a bear market; even trustees who do not complain at the mere missing of opportunity when the market is rising are likely to be beef when part of their capital is actually lost.

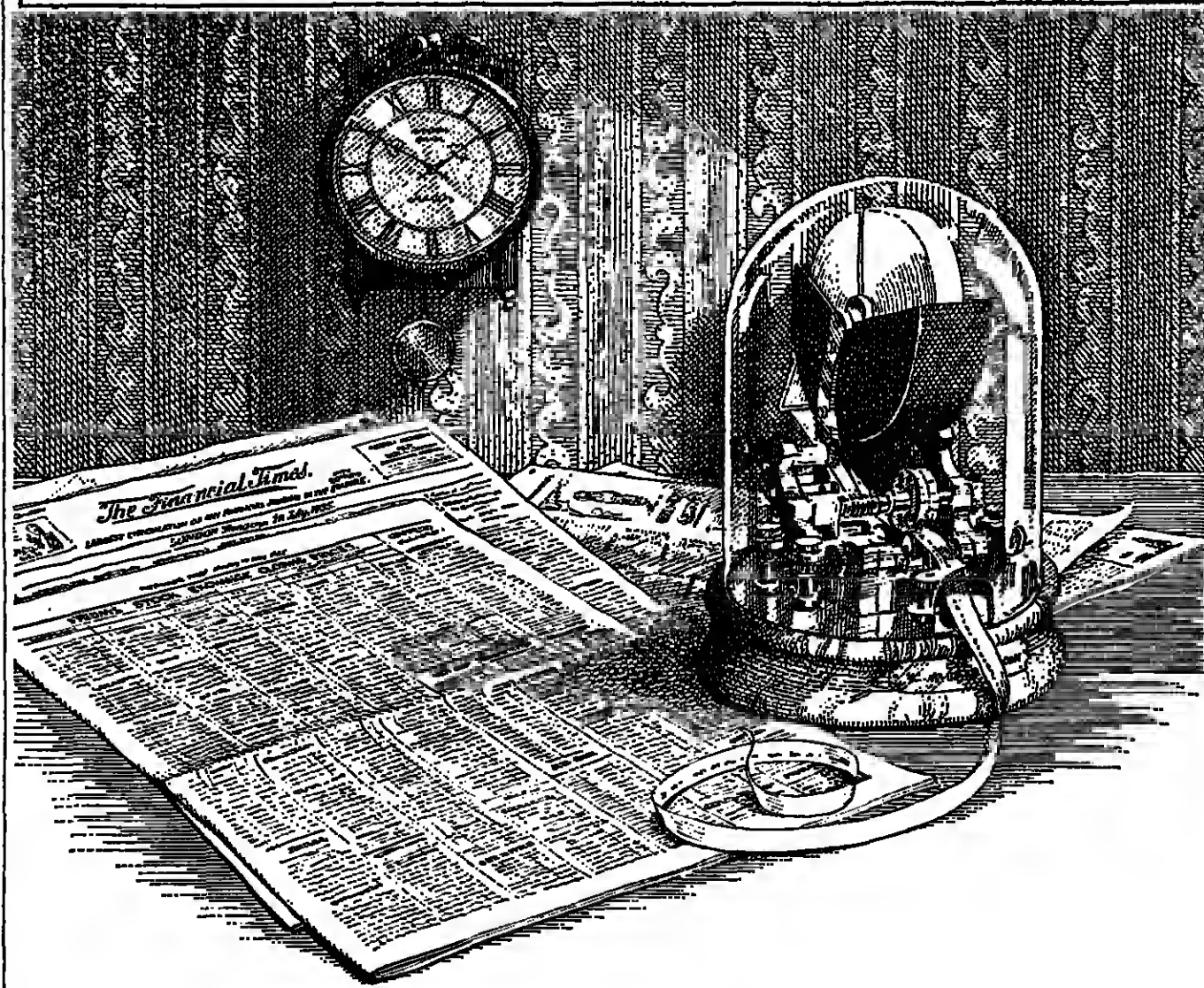
Even in more favourable times, just managing to keep the fund in line with the appropriate index can be quite hard work. In the London market last year, the British Telecom

sale created havoc in highly indexed funds by throwing all the weightings out. BT was not only a very significant addition to the total equity market, but after massive subscription it had the annoying habit of going up faster than the market as funds tried to make up their index-weighting, and by retaining nearly half the equity, the Government made it impossible for them to do so.

Having structured a portfolio so that its behaviour closely resembles that of the whole market—essentially having only the systematic risk—the risk-averse fund manager will be a natural user of stock-index futures or options; selling instruments derived from the same index makes it possible to protect a fund against the risk of a generalised decline in the market without actually selling the underlying shares.

Where once it was necessary to test the air, gulp, and positively decide that it was time to be in cash, it is now possible to hedge one's bets—and the investment—by selling just the futures. Without the fulcrum provided by market indices, this management of overall exposure to the market would be impossible.

Perhaps that is one point at which the latter-day use of indices regains contact with the pioneers. For the great inspiration was to see that markets move, not just individual shares. And it is often possible to believe that market is going to rise or fall, without having a view on ICI or the NatWest Bank. At that point, people buy or sell "the Index."



FT30

a business trend indicator for 50 years

THORN EMI

a business trend setter for over 60 years





## Ordinary Share Index 6

Barry Riley picks out four important periods in the history of the 30-Share.

## Major turning points over the last half century

January 4, 1937  
Index at 124.8

THE Financial News (later FT) Industrial Ordinary Share Index was launched at a time of economic revival in the mid-thirties. Although unemployment remained disturbingly high, the economy as a whole was recovering. New growth sectors like motors and electricals were coming along to offset the depressed heavy industries. Housebuilding was buoyant.

From its low of June 1932 the equity market had already shown a sustained recovery when the new Index was launched in July 1933. And the Index enjoyed a good run for its first 18 months or so, rising some 25 per cent before it described a double top formation in late 1936 and at the beginning of 1937.

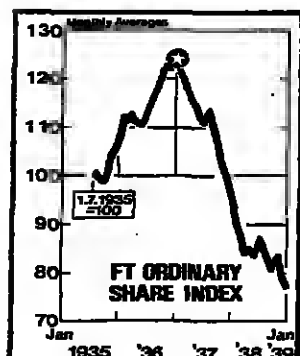
The link with movements in the bond market should be stressed. Consols had traded between 50 and 60 for almost the whole of the twenties, but then spurted during the depression of the economy, peaking at just over 90 early in 1935, indicating a yield of less than 3 per cent.

It is typical for equity price movements to follow bond market trends with a time lag, and so it was in the thirties. As the economic slump lessened and war scares grew, gilt-edged went into a decline which paradoxically ended at the outbreak of hostilities in 1939.

Gilts were still, despite the setback in the late 30s, in a very long-term uptrend which lasted until Consols hit par in 1946, in the cheap money days of Chancellor Hugh Dalton.

For equities, January 1937 therefore represented the summit of post-slump recovery hopes. Indices like the Moodys, which spanned the whole inter-war period, suggested that share prices had more than regained what they lost in the disastrous 1929-32 bear market.

But the market had become overheated. The Index slipped quickly back to below 100 by October 1937, and the underlying economic cycle also peaked in that year. Across the Atlantic, too, Wall Street went



For equities the opening month of 1937 saw the summit of post-slump recovery hopes

into decline. The threat of war was casting its long shadow over the financial markets. Hitler had been in power in Germany since 1933, and Germany's increasing aggression led to the Czech crisis and the Munich agreement in 1938.

Although the rearmament programme brought a boost for some sectors of the economy, uncertainty was the dominant factor during the remainder of the 1930s. By the outbreak of war in September 1939 the Index was down to 77, and although equities briefly managed to follow the rally in Consols in late 1939 and early 1940 there followed a sharp sell-off.

With the German army pushing the British off the Continent at Dunkirk, and the Luftwaffe menacing the country, the index hit an all-time low of 49.4 on June 26 1940, a level that has been commemorated in daily editions of the FT (or the Financial News) ever since.

Apart from the threat of occupation, the war also brought comprehensive economic controls which did the equity market no good. Prices were restricted, and dividends fell from 1938 to 1942.

So the Index's deceptively good start in 1935-37 proved to be a trap. It is true that the construction of the Index underplays long-term performance, and other indices showed a slightly better trend over the wartime and immediate postwar period. Nevertheless it was to be nearly 20 years before equities achieved a permanent and decisive advance over the 1937 New Year peak.

June 24, 1952  
Index at 103.1

JUNE 1952 could be judged one of the three great long-term buying opportunities in the 50-year history of the FT Index, but unlike the other two (June 1940 and January 1975) it lacked any great sense of drama.

Retroactively, however, in equity market terms the year 1952 marked a watershed. The rationing and controls of the wartime period largely persisted into the years of the postwar Labour Government. Then the Conservatives liberalised the economy and took advantage of the rapid expansion of world trade.

For nine years up to 1952 the 30-Share Index had been bumping about just above 100 (in fact, it had dipped to 98.8 at one point in 1949, the year in which Sir Stafford Cripps as Chancellor devalued sterling from \$4.03 to \$2.50).

In the next eight years, however, the Index took two great quantum leaps forward, bounding to 200 and then, after a setback, on to 300 before the turn of the decade.

None of this could clearly be foreseen in the early months of the new Tory Government, which assumed power late in 1951. The economic background was distinctly unhelpful, with the ending of the Korean War boom leading to a collapse in commodity prices on the international markets. In the UK many companies found themselves overstocked, and the correction of this often proved to be a painful process.

And in the capital markets the transition from the cheap money period just after the war, when long-term bond rates fell under 3 per cent, was still causing problems.

At the beginning of 1952 long gilt-edged yields were around 4.2 per cent (against a yield of 5.4 per cent on the FT Index) but the Budget brought shocks from the Chancellor, Mr Rab Butler.

The Conservatives were determined to bring back monetary policy as a means of controlling the economy, and Bank Rate was jacked up from 2½ to 4 per cent, having already

been raised from 2 per cent the previous autumn. That left little room for manoeuvre in establishing a higher yield basis—of more like 4.8 per cent by mid-year—and equities were also forced to make a sharp yield adjustment.

Moreover, the equity market was disturbed by the imposition in the Budget of an Excess Profits Levy on profits earned in excess of a base formed by the 1947-49 three-year average.

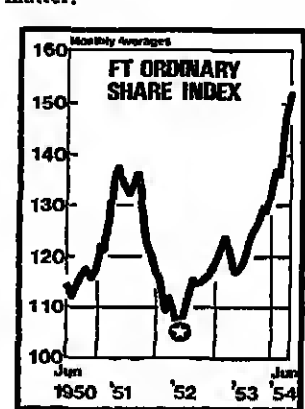
There was no help from sentiment on Wall Street, where prices were depressed by fears that the U.S. was heading into a recession—and by threats of a steel strike.

So in percentage terms the bear market of early 1952 was rather nasty—the 1951 high had been above 140—but the reversal was mercifully short. By mid-summer the bearish forces were just about played out.

The key once again was a stabilisation of the gilt-edged market, where long yields eased back again to about 4.4 per cent by the end of the year.

Such changes in yields might seem small beer by the standards of the seventies and eighties, but they represented substantial changes in capital values. Equity prices followed gilts up and the Index ended the year at around 115.

Although 1953 subsequently proved to be a rather unexciting year the market was building a base for a substantial advance in 1954. The 30-share Index would never descend near 100 again, though its performance in real terms might be another matter.



One of the Stock Exchange's great buying opportunities as the bear market of early 1952 bottomed out

September 19, 1968  
Index at 521.9

ARGUABLY THE cult of the equity during the fifties and sixties reached its zenith in 1968, at the September high of that year which was not quite matched when the market formed a double top in January 1969.

The Index did, of course, go a little higher in 1972 but inflation was accelerating at this period and in real terms 1968 stood out.

Such long-term comparisons are not really made in terms of the 30-Share Index itself, but the trends in this period are confirmed by the FT-Actuaries All-Share Index, compilation of which began in 1962.

In successive bull markets culminating in 1955, 1959, 1963 and 1968 steady buying by financial institutions served to transform the ownership pattern of equities greatly reducing the role of private investors. In the process, investment ratings were turned upside down.

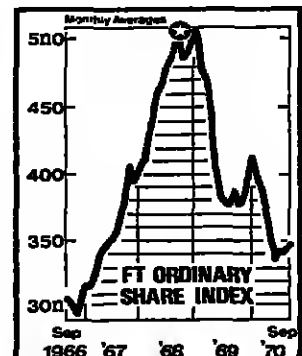
For decades the yield gap between equities and gilt-edged had seemed inevitable in view of the higher risk involved in Ordinary shares. But postwar inflation, though relatively low, led to a search for inflation hedges, and steady growth in the economy reduced the perceived risk in equities.

Mr George Ross Goobey of the Imperial Tobacco pension fund was the fund manager most associated with the cult of the equity, but his pioneering example was eventually followed by a great many pension funds and insurance companies who had previously stuck almost exclusively to the bond markets.

So in 1959 the yield gap closed and was replaced by the "reverse yield gap" which has come to seem just as much a fact of life as the yield gap ever was.

The strength of equities fed on itself. By September 1968 the Index stocks offered a dividend yield of just 3.6 per cent (against a long-run average of about two points higher) and the p/e ratio had climbed to 22.7.

A post-devaluation boom was the main short-term explanation for the peak. In November 1967



One of the bull markets which transformed the pattern of equity ownership in Britain

the Labour Government had given up a long battle to preserve the exchange rate and had devalued from \$2.80 to \$2.40. The equity market was spared high interest rates, which might otherwise have been necessary to defend the currency, and it was fuelled by the surge in company profits which followed the devaluation.

Devaluation was, of course, inflationary—but by this time the received wisdom was that inflation was good for equities.

One factor which eventually undermined the boom was the upsurge in speculative activity. This was the era of Mr Jim Slater and many like him who realised that the acceptability of highly rated paper (p/e's of 30 and 40 were common) made possible the takeover of asset-rich companies which had failed to join in the share price race.

But already by 1968 and 1969 the market was finding it hard to digest the flood of paper of dubious quality which was being pumped out by the new conglomerates.

In the end, however, traditional economic factors choked the boom off. By early 1969 the post-devaluation boost to the economy was leading to a surge in the money supply. Bank Rate went up from 7 to 8 per cent in February, and Chancellor Roy Jenkins subsequently delivered a tough Budget.

The equity market could not sustain what was an extraordinarily high level in real terms. There followed a particularly vicious fall, with the FT Index losing more than 150 points in five months between mid-January and mid-June 1969.

January 6, 1974  
Index at 146.0

ON ANY chart of the UK equity market the crash of 1974 stands out as a tremendous aberration. It reflected a financial collapse rather than an industrial or economic one, and the bounce back was even swifter than the decline had been. Many of the scars, however, have yet to heal, and they affect the behaviour of many financial institutions even today.

In a nutshell, 1974 reintroduced the concept of risk, which two decades of rising share prices had largely pushed out of the frames of reference of many investors.

London's bear market was by no means unique. Other equity markets around the world were skidding that year. But London suffered much worse than most. At the start of 1974 the Ordinary Share Index stood at 339.3, already a long way below the 1972 high of 543.6. In the first week of January 1975, however, the Index briefly dipped under 150.

There are several ways of explaining the collapse. One is that at a time of a vicious liquidity squeeze, equities were among the few categories of assets which could be readily sold for cash. Accordingly, the whole market went on to a forced sale pricing basis.

Burmah Oil was a classic victim. In January 1975 it was forced to sell for 230p a share its huge block of BP, which in January 1974, at a price of 590p a share, had seemed to lend it impregnable financial strength.

Another explanation is that the market was discounting an alarming collapse in real profits. Although nominal company profits seemed to be good in 1974, inflation was accelerating rapidly (towards a year-on-year peak of 24 per cent at one stage in early 1975).

Adjusting for stock appreciation and taxation, retained profits disappeared in real terms, leaving companies rapidly running out of cash.

Then there is the institutional explanation. After all, many funds were pulling up cash rather than putting it into the

long-term markets. They earned double-digit nominal returns at a time when investors still locked into equities and gilt-edged were showing shocking capital losses. The market's spiral therefore became self-perpetuating.

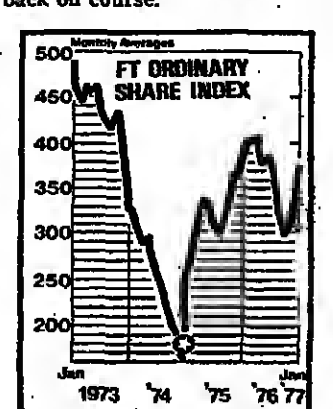
These are all different aspects of the same crisis. And the whole affair was made much worse by the shakeout after the credit spree of the early 1970s, when financial asset levels were boosted by a surfeit leading by secondary banks, many of which went to the wall after a crisis of confidence late in 1976.

The buying opportunity finally came in January 1975, after a climactic jolt to confidence by the news of the Burmah Oil crash.

At the very bottom the yield on the Index was 13.4 per cent and the p/a ratio (on the dubious basis of historical cost profits) was just 3.8. But then, only shortly before that, the yield on long-term gilt-edged had reached 17 per cent.

Concessions by the Chancellor, Mr Denis Healey, on price controls and the taxation of stock appreciation triggered the recovery, with a time lag of a few weeks. When the turnaround came those fund managers who had stuffed their portfolios with cash and gold bullion during 1974 found themselves stranded.

On a single day, January 24, the FT Index rose by more than 10 per cent. By the end of January it was above 250, by the end of February it had topped 300. The market was back on course.



Calculation of a year in which the concept of risk was reintroduced to the London market

# Congratulations.

(We thought we'd just add our share.)

For the last 50 years, the FT Ordinary Share Index has been providing a daily service to investors.

As one of the most recent members of the Index, we'd like to add our congratulations.

British  
TELECOM

## Some people invest in stocks and shares...

Stop Press  
I.G. Index now offers opportunities to bet on traded options... and I.G. will be the only company offering bets on the FT 30 Share Index and the Low Jones Industrial Average.

...And they worry about:-

- What to buy ● When to buy
- What to sell ● When to sell
- The paperwork
- The records for the tax authorities
- The fact that the price must rise significantly before they can make a profit.
- Even when they do make a profit, the tax they'll have to pay.

...Others prefer dealing with I.G. Index...

- ...Which:-
- is simple ● is fast ● is inexpensive
- gives you the opportunity to make money from price falls as well as price rises.
- is the ultimate tax-efficient vehicle—with no income tax to pay, no capital gains tax and no value added tax.

If you'd like to stop worrying, simply complete and return the coupon today. Or call I.G. on 01-828 7233.

To: Mr W.F. Ely, I.G. Index Limited, 9-11 Grosvenor Gardens, London SW1W 0BD. Please send me details of your services.

Name \_\_\_\_\_  
Address \_\_\_\_\_

Telephone (Daytime) \_\_\_\_\_  
For information and latest prices: REUTERS (CODE IGIN), PRESTEL (PAGE 48121).

I.G.  
INDEX

FINANCIALLY A BETTER BET